

# Official Statement Dated April 14, 2004

## REFUNDING ISSUE

**MOODY'S RATING: Aaa**  
**STANDARD & POOR'S RATING: AAA**  
(See "Bond Ratings" herein)

*In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B – "Opinion of Bond Counsel and Tax Exemption" herein).*

## **TOWN OF BRANFORD, CONNECTICUT**

**\$7,860,000**

### **GENERAL OBLIGATION REFUNDING BONDS BOOK-ENTRY-ONLY**

#### **Dated: Date of Delivery**

**Due: May 15, as shown below**

The Bonds will be general obligations of the Town of Branford, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal and interest when due. (See "Security and Remedies" herein).

Interest on the Bonds will be payable on May 15, 2004 and semiannually thereafter on November 15 and May 15 in each year until maturity. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the beneficial owners (as described herein) of the Bonds. (See "Book-Entry Transfer System" herein).

**The Bonds are subject to optional redemption prior to maturity as described herein. (See "Optional Redemption" herein).**

The Certifying, Registrar, Transfer, Paying and Escrow Agent for the Bonds will be U.S. Bank National Association, of Hartford, Connecticut.



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC. (See "Bond Insurance" and Appendix D herein).

### **MATURITIES SCHEDULE AND AMOUNTS**

| <u>Maturity</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> | <u>Maturity</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP</u> |
|-----------------|---------------|----------------------|--------------|--------------|-----------------|---------------|----------------------|--------------|--------------|
| 2004            | \$ 165,000    | 2.000%               | 1.000%       | 105385SJ8    | 2010            | \$ 725,000    | 3.750%               | 3.170%*      | 105385SP4    |
| 2005            | 75,000        | 2.000                | 1.200        | 105385SK5    | 2011            | 1,175,000     | 3.375                | 3.510        | 105385SR0    |
| 2006            | 105,000       | 2.000                | 1.800        | 105385SL3    | 2012            | 1,170,000     | 3.625                | 3.750        | 105385SS8    |
| 2008            | 325,000       | 3.000                | 2.570        | 105385SM1    | 2013            | 1,225,000     | 3.750                | 3.920        | 105385ST6    |
| 2009            | 1,130,000     | 3.250                | 2.880        | 105385SN9    | 2014            | 1,225,000     | 4.000                | 4.090        | 105385SU3    |
| 2010            | 400,000       | 3.250                | 3.250        | 105385SQ2    | 2015            | 140,000       | 4.100                | 4.210        | 105385SV1    |

\* Priced assuming redemption on May 15, 2009; however any such redemption is at the election of the Town. (See "Optional Redemption" herein).

*The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Day, Berry & Howard LLP, Bond Counsel, Hartford, Connecticut. Certain legal matters will be passed upon for the Underwriters by Shipman & Goodwin LLP, of Hartford, Connecticut, Underwriters' Counsel. It is expected that delivery of the Bonds in definitive form will be made to The Depository Trust Company, New York, New York on or about April 27, 2004.*

**ROOSEVELT & CROSS  
INCORPORATED**

**WACHOVIA BANK,  
NATIONAL ASSOCIATION**

**Dated: April 14, 2004**

No dealer, broker, salesman or other person has been authorized by the Town of Branford, Connecticut, to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date of this Official Statement.

Other than as to matters expressly set forth in Appendix A - Financial Statements herein, the independent auditors for the Town are not passing on or assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Other than as to matters expressly set forth in Appendix B - Opinion of Bond Counsel and Tax Exemption, Bond Counsel are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Independent Bond and Investment Consultants LLC, the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from sources supplied by Town officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

This Official Statement is in a form "deemed final" by the Town for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

The Town currently files its official statements for primary offerings with each of the nationally recognized securities repositories. The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement for the Bonds"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix D specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**BOND COUNSEL**

**DAY, BERRY & HOWARD LLP**

Hartford, Connecticut  
(860) 275-0100

**INDEPENDENT FINANCIAL ADVISOR**

**INDEPENDENT BOND AND  
INVESTMENT CONSULTANTS LLC**

Madison, Connecticut  
(203) 245-8715

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**OFFICIAL STATEMENT**  
**TOWN OF BRANFORD, CONNECTICUT**

**\$7,860,000**

**GENERAL OBLIGATION REFUNDING BONDS**

**INTRODUCTION**

This Official Statement, including the cover page and appendices, has been prepared by the Town of Branford, Connecticut (the "Town") with assistance from the financial advisor in connection with the issuance and sale of \$7,860,000 General Obligation Refunding Bonds (the "Bonds").

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and they make no representation that they have independently verified the same.

**THE BONDS**

**Description of the Bonds**

The Bonds are being issued in the principal amount of \$7,860,000 and the entire amount will be used to advance refund a portion of the outstanding principal amount of the Town's \$16,255,000 General Obligation Bonds, Issue of 1997, dated as of December 15, 1997 (the "Refunded Bonds") (see "Plan of Refunding" herein).

The Bonds will be dated the date of delivery, will mature in annual installments on May 15 in each of the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable semiannually on May 15 and November 15 in each year until maturity, commencing May 15, 2004. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owners of the Bonds as of the last business day of April and October in each year. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof for any single maturity. A book-entry system will be employed evidencing ownership of the Bonds with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein.) The Registrar, Certifying Agent, Transfer Agent, Paying Agent and Escrow Agent will be U.S. Bank National Association of Hartford, Connecticut. The Bonds are subject to redemption prior to maturity. (See "Optional Redemption" herein.)

**Plan of Refunding**

The Refunding Bonds are being issued pursuant to a refunding bond resolution (the "Resolution") adopted by the Town's Representative Town Meeting ("RTM") at a meeting held September 10, 2003. The Resolution authorizes the issuance of bonds in an amount not to exceed \$20,000,000 to be applied to the refunding in whole or in part of the outstanding principal of and interest and any call premium on the Town's \$16,255,000 General Obligation Bonds, Issue of 1997, dated as of December 15, 1997 and \$23,770,000 General Obligation Bonds, Issue of 2001, dated as of May 15, 2001, and the payment of costs of issuance of the refunding bonds.

The following is a list of the Refunded Bonds. The refunding is contingent upon delivery of the Bonds.

| <u>Issue</u> | <u>Dated Date</u> | <u>Maturity<br/>Date</u> | <u>Principal<br/>Outstanding</u> | <u>Interest<br/>Rate</u> | <u>Redemption<br/>Date</u> | <u>Redemption<br/>Price</u> | <u>CUSIP</u> |
|--------------|-------------------|--------------------------|----------------------------------|--------------------------|----------------------------|-----------------------------|--------------|
| 1997         | 12/15/1997        | 05/15/2009               | \$ 800,000                       | 4.600%                   | 05/15/2008                 | 100.0                       | 105385PG7    |
| 1997         | 12/15/1997        | 05/15/2010               | 800,000                          | 4.700                    | 05/15/2008                 | 100.0                       | 105385PH5    |
| 1997         | 12/15/1997        | 05/15/2011               | 800,000                          | 4.800                    | 05/15/2008                 | 100.0                       | 105385PJ1    |
| 1997         | 12/15/1997        | 05/15/2012               | 800,000                          | 4.875                    | 05/15/2008                 | 100.0                       | 105385PK8    |
| 1997         | 12/15/1997        | 05/15/2013               | 800,000                          | 5.000                    | 05/15/2008                 | 100.0                       | 105385PL6    |
| 1997         | 12/15/1997        | 05/15/2014               | 800,000                          | 5.000                    | 05/15/2008                 | 100.0                       | 105385PM4    |
| 1997         | 12/15/1997        | 05/15/2015               | 800,000                          | 5.000                    | 05/15/2008                 | 100.0                       | 105385PN2    |
| 1997         | 12/15/1997        | 05/15/2016               | 800,000                          | 5.000                    | 05/15/2008                 | 100.0                       | 105385PP7    |
| 1997         | 12/15/1997        | 05/15/2017               | <u>800,000</u>                   | 5.000                    | 05/15/2008                 | 100.0                       | 105385PQ5    |
| TOTAL        |                   |                          | <u>\$7,200,000</u>               |                          |                            |                             |              |

Upon delivery of the Bonds, the proceeds of the Bonds will be placed in an irrevocable trust fund (the "Escrow Deposit Fund") established with U.S. Bank National Association of Hartford, Connecticut, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of April 27, 2004 between the Escrow Agent and the Town. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the government of the United States of America, which may include, without limitation, United States Treasury State and Local Government Series ("SLGS") securities, Federal National Mortgage Association ("FNMA") securities and Federal Home Loan Mortgage Corporation securities ("FHLMC") (collectively, the "Escrow Securities") all of which shall not be callable or prepayable at the option of the issuer thereof. All investment income on and maturing principal of the Escrow Securities held in the Escrow Deposit Fund and needed to pay the principal, interest payments and redemption prices of the Refunded Bonds will be irrevocably deposited by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance, underwriters' discount and bond insurance premium.

The Connecticut General Statutes provide that upon placement in escrow of proceeds of refunding bonds sufficient to provide for the payment of the principal, interest, and call premium payments on the bonds to be funded by such refunding bonds, such bonds are no longer counted in computing the Town's debt for statutory debt limitation purposes.

### **School Projects**

The costs of the Branford High School Renovation project included in the Refunded Bonds are reimbursed under the prior school construction grant program of the State. Under the prior program, the State of Connecticut provided proportional principal and interest subsidy grants for bonds financing eligible school construction projects over the life of the bonds or any refunding thereof.

### **Verification of Mathematical Computation**

McGladrey & Pullen LLP will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Underwriters' schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Refunded Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is exempt from tax. McGladrey & Pullen LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

## Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

### Sources:

|  |                       |
|--|-----------------------|
| Par Amount of the Bonds                      | \$7,860,000.00        |
| Net Original Issue Discount                  | ( 691.80)             |
| State of Connecticut Cost of Issuance Grants | <u>90,000.00</u>      |
| Total Sources                                | <u>\$7,949,308.20</u> |

### Uses:

|                                |                       |
|--------------------------------|-----------------------|
| Deposit to Escrow Deposit Fund | \$7,792,339.88        |
| Underwriter's Discount         | 42,758.40             |
| Costs of Issuance              | 90,000.00             |
| Bond Insurance Premium         | 22,732.23             |
| Contingency                    | <u>1,477.69</u>       |
| Total Uses                     | <u>\$7,949,308.20</u> |

## Optional Redemption

The Bonds maturing on or before May 15, 2009 are not subject to redemption prior to maturity. The Bonds maturing on May 15, 2010 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after May 15, 2009, at any time in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption prices (expressed as a percentage of the par amount of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

| <u>Redemption Dates</u>     | <u>Redemption Price</u> |
|-----------------------------|-------------------------|
| May 15, 2009 and thereafter | 100.0%                  |

## Notice of Redemption

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner of the Bonds designated for redemption in whole or in part at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if such funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

### **BOOK-ENTRY TRANSFER SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The Town takes no responsibility for the accuracy thereof.

## **SECURITY AND REMEDIES**

The Bonds will be general obligations of the Town of Branford, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from general property tax revenues of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property, such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.



The Town is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

**THE TOWN OF BRANFORD, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.**

**QUALIFICATION FOR FINANCIAL INSTITUTIONS**

The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

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## THE TOWN

Following in this Official Statement is a brief description of the Town, together with certain information concerning its economy, governmental organization, indebtedness, current major revenue sources, and general and specific funds.

### GENERAL DESCRIPTION

Settled in 1644 as part of the New Haven Colony, Branford was named in 1653, and adopted its first charter in 1958, amended most recently in 1991.

Branford is governed by a three member Board of Selectman, with the First Selectman serving as the chief executive officer. The Town has a Selectmen/Board of Finance/Representative Town Meeting ("RTM") form of government.

The RTM is made up of 30 elected members representing five voting districts. The members of the RTM choose one of their members to be Moderator of the RTM, who presides over all its meetings.

The legislative power of the Town is vested in the RTM, except as otherwise provided for by the electors. The RTM has the power to enact, amend, or repeal ordinances not consistent with the Charter or the General Statutes of the State. The electors have the power to approve or reject an ordinance by referendum, as provided in the Charter. The Board of Finance prepares the annual budget for recommendation to the RTM and sets the mill rate, as prescribed by the Town Charter.

General Town elections are held on the first Tuesday after the first Monday in November of each odd numbered year to elect the Board of Selectmen, Town Treasurer, Town Clerk, Tax Collector, and members of the RTM. Their terms of office are for two years.

The Town's land area is 22 square miles, with more than 20 miles of shoreline along Long Island Sound. Located in south central part of the state in New Haven County, Branford is approximately 90 miles east of Manhattan and 40 south of Hartford, the state capital. It is bound on the north by the Town of North Branford, east by the Town of East Haven, south by Long Island Sound, and west by the Town of Guilford.

Branford is an established, suburban residential community with an extensive, commercial, retail and modern industrial base. The 2000 U.S. Census reported the Town's population at 28,683.

The Town supports and encourages a balance of industrial, commercial and residential properties and the Town's Economic Development Commission and Planning and Zoning Commission work together towards that end, and often collaborate with the Branford Chamber of Commerce to continuously improve the Town's business climate.

The Town enjoys four direct points of access to Interstate 95. Route 1 (Boston Post Road) as well as State Routes (SR) 139, 142, and 146 (the latter also holding designation as a State Scenic Roadway) all go through Town. The I-95 junction with I-91 is minutes away in New Haven, less than ten miles from the Town green. Branford's stretch of Interstate 95 has recently been improved as part of the federally funded New Haven Harbor Corridor Project, providing wider lanes, new access ramps, and better lighting, making the Branford area safer for everyone on the highway. Commuter bus service is provided by the Greater New Haven Transit District (through the Connecticut Department of Transportation) and DATTCO, a commercial bus serving shoreline communities east of New Haven.

For rail transportation, Branford is an easy commute to New Haven on the Shore Line East, which also provides direct connections to Metro North service to Manhattan's Grand Central Station and to Amtrak with its new Acela train.

Air travel is a few minutes away at nearby Tweed-New Haven Regional Airport, or approximately 50 minutes away at Bradley International Airport in Hartford. Additional national and international air service is available through New York's JFK and LaGuardia airports (limo service is available from New Haven), as well as T.F. Green in Providence.

Branford has a diverse economic base, composed of both traditional and high tech manufacturers, a vibrant bioscience community (the Town is host to more biotech jobs than any other single town in the state) and a broad retail component that ranges from big-box to specialty boutiques. Major corporations include Harco Electric, Quest Diagnostic Medical Labs, and Neurogen Corporation and CuraGen Corporation, both leaders in their respective bioscience fields operating manufacturing and research facilities in Branford.

Because of Branford's close proximity to New Haven's Yale-New Haven Medical Center and St. Raphael's Hospital, which provide a total of 1,455 licensed beds, the Town has over one hundred fifty area physicians whose efforts are supplemented by the Visiting Nurse Association patient and child care programs. In 1980 Branford became the home of Connecticut Hospice, Inc., the nation's first hospice. The 52 bed inpatient facility treats terminally ill patients and family, as well as providing an 18 town area home care program. The Town also has a 190 bed skilled nursing facility licensed by the State of Connecticut for Medicaid and Medicare beneficiaries offering in-patient and out-patient rehabilitation services. In addition, there is a 110 unit apartment complex for assisted living licensed by the State of Connecticut, and a 90 apartment congregate living center and retirement home.

## **ECONOMIC DEVELOPMENT**

A major project to revitalize the center of Town was completed in the early 1990s. The project included new streets, municipal parking lots and streetscape improvements to the Town center. The revitalization effort was a cooperative effort between private property owners and the Town where owners agreed to improve façades and enlarge buildings and the Town agreed to provide the infrastructure improvements to benefit all merchants in the designated Town center. This program has greatly enhanced the central district area, which has further encouraged greater retail trade and business in that area. As part of the Town's effort to build on the success of that project, the Revitalization Review Board continues to be active by reviewing and comment on relevant building and development applications submitted to the Town's regulatory agencies, particularly the Planning & Zoning and Inlands Wetland Commissions.

In addition, over the past ten years the Town has developed over 1,000 acres of industrial zoned area that is directly adjacent to Interstate 95 and within easy access to industrial-rated utilities. The Town last updated its decennial comprehensive *Plan of Conservation and Development* in 1997 to efficiently utilize the undeveloped land in the Town, with approximately 25% zoned for office and industrial use. Efforts are now underway to update the Plan for its next publication in 2007.

The Town has also completed planned upgrades to various infrastructure facilities including: the construction of a new state-of-the-art police station, completed in 1995; and renovations to the Blackstone Library, an historic landmark, completed in 1997; and a \$26,577,000 High School Renovation and Code Compliance project was completed in 2001. The Town built a new wastewater treatment facility and upgrades to pumping and recovery systems. The Town received funds from the State of Connecticut Clean Water Fund to provide a loan/grant of \$26,000,000, the loan at a 2% interest rate, with the Town financing the balance of \$4,950,000 for required upgrades to existing pump and recovery systems with general obligation bonds. The new state-of-the-art facility was completed in 2002 and has since been nationally recognized for its design and efficiency.

Financial institutions in the Town include Superior Savings Bank of New England, Citizens Bank of Commerce, The New Haven Savings Bank, Wachovia Bank, Fleet Bank, People's Bank, Sovereign Bank and Guilford Savings Bank.

## **TOWN SERVICES**

**Police:** Organized in 1926, the Branford Police Department provides 24/7/365 law enforcement and police related community services to the Town of Branford. The Branford Board of Police Commissioners is the policy setting board, which has civilian oversight of the agency, and is directed by a full time Chief and Deputy Chief. A state-of-the-art, computerized E911 public safety answering point and its communications division serves as a nexus for all emergency agencies town wide.

In addition to its excellent patrol division, the department also offers a detective unit for major investigations, domestic violence counseling services, full time school resource and youth officers, a marine division to provide services to Branford's waterways, and a police canine program. The Branford Police Department is staffed by 48 State of Connecticut POST certified police officers, 11 dispatchers, who are all EMT certified, and additional civilian support personnel. The department is a candidate for national accreditation by the Consortium for Accreditation of Law Enforcement Agencies (CALEA).

**Fire:** Fire protection is provided by twenty-eight full-time firefighters, one full-time Fire Chief, one Assistant Chief of Training, one full-time Deputy Fire Marshal, and four Deputy Fire Chiefs. The department provides 24 hour service that includes paramedic service. There are six volunteer fire companies that are manned 24 hours a day with fifty volunteers, with two volunteer Assistant Chiefs and one volunteer Deputy Chief. All company dispatchers are accessible through the E911 system administered by the Police Department. The department has six pumpers, one ladder truck, one rescue vehicle,

one emergency van, and two brush trucks, two fireboats and three ambulances. Dispatchers are accessible through E911 system administered jointly by the police department and fire department. The department recently received a \$370,000 Homeland Security Grant for a new radio system and mobile computers. The Department utilizes state-of-the-art fire apparatus and equipment staffed by highly trained and motivated personnel.

**Public Works and Engineering:** The Public Works Department provides the Town with the professional and technical service oriented activities which are necessary to operate and service the community. The Public Works Department maintains over one hundred miles of roads in Town. Substantial major public improvements of an ongoing nature are provided by the Public Works Department. The Public Works Department is also responsible for a paving and road repair program in which approximately five miles of road are serviced annually through general fund appropriations.

**Water Pollution Control Authority:** The Water Pollution Control Authority (the "Authority") oversees sanitary sewer operations in Town including the renovation and installation of sanitary facilities to new and older developments in Town. The Authority has the power to enact user charges and assessment fees to owners benefiting from the system.

The sanitary sewage system, constructed in 1961, consists of a sewage treatment facility, an interceptor line and laterals serving the central business district and surrounding areas. The system serves approximately 90% of the existing commercial and industrial areas of Town and almost 85% of the residences, including all apartments and condominiums. The plant capacity is 4.5 million gallons per day with current flow at approximately 4.1 million gallons per day. The Town also provides service to a portion of North Branford. All areas along Branford's shoreline are sewered with the exception of the Stony Creek - Thimble Island areas, which have strict sanitary sewer requirements approved by the Town and the State Department of Environmental Protection. The Town's new facility was completed in 2002.

**Parks and Recreation:** The Branford Recreation Department provides and maintains Sliney School Park, Parker Memorial Park, Foote Park, Supply Pond Park, Pisgah Brook, and Young's Pond Park. There are approximately 3,500 acres, or approximately 25% of total Town land, that is dedicated as open space for its residents, consisting of approximately 1,500 acres of Town-owned land, 1,000 acres of water authority land, 500 acres of land trust property, and one parcel for wildlife reserve. In total, the Town has ten parks and four tennis facilities. The Town sponsors special events, provides programs for special interest groups of all ages, assists community groups in planning recreational activities, conducts workshops, clinics, special playgrounds and camps during the summer, provides lifeguards and beach constables for the waterfront facilities, and offers a wide variety of programs such as softball, tennis, aerobics fitness, indoor and outdoor volleyball, basketball, skiing and after-school programs for youngsters. There are four yacht clubs and fifteen marinas in Branford providing moorings for approximately one thousand boats. The Town recently completed a parks revitalization project that provided new equipment and improved grounds at nine (9) Town parks. The \$579,000 project was partially funded by a State grant.

**Solid Waste:** The Town owns and operates a transfer station and recycling center, which accepts almost any material generated in Branford from residents, haulers, and small businesses, for disposal or recycling at out-of-town facilities. Hazardous wastes and large quantities of construction/demolition materials are not accepted. The Town is a member of the Bristol Resource Recovery Facility Operating Committee. Municipal solid waste is transported to that facility as part of a long-term contract, as described below.

The Town has a contract with the Bristol Resource Recovery Facility trash to energy plant (the "Facility") for the disposal of municipal solid waste, pursuant to which it pays a tipping fee of \$62.00 per ton on a minimum required 12,550 tons per year.

Under an Inter-Community Agreement dated August 15, 1985 (the "Inter-Community Agreement"), eleven Connecticut municipalities (the City of Bristol, the Town of Berlin, the Town of Burlington, the City of New Britain, the Town of Plainville, the Town of Plymouth, the Town of Prospect, the Town of Southington, the Town of Washington, the Town of Wolcott and the Town of Warren) formed an Operating Committee, the Bristol Resource Recovery Facility Operating Committee (the "BRRFOC"), authorized by statute to exercise certain rights on the communities' (the "Contracting Communities") behalf in dealing with the Facility. Subsequent to the execution of the Inter-Community Agreement, the Town and the Towns of Seymour and Hartland also became Contracting Communities. The BRRFOC governing board consists of town officials appointed by each of the Contracting Communities and assumes all management decisions for BRRFOC.

Covanta Bristol, Inc. (formerly Ogden-Martin Systems of Bristol, Inc.) (the "Company") operates the Facility, a 650-ton per day mass burn solid waste disposal, electric power generation and resource recovery facility at 170 Enterprise Drive in Bristol, Connecticut. The Company is a subsidiary of Covanta Energy Corporation, a Delaware Corporation ("Covanta"). The Company was formed in 1984 for the purpose of owning, designing, constructing, and operating the Facility for the processing and disposing of certain solid waste ("Acceptable Waste") from each of the Contracting Communities.

The project was funded from the proceeds of the Connecticut Development Authority's (the "Authority") \$73,520,000 Series 1985 Bonds loaned to the Company by the Authority. On May 15, 1995, BRRFOC issued \$68,040,000 in Solid Waste Revenue Refunding Bonds with interest rates varying from 5.20% to 6.50% to current refund \$66,835,000 of outstanding special obligation bonds of the Authority.

All required federal and state permits for construction of the Facility were granted prior to the issuance of the Series 1985 Bonds. Commercial operations began in April of 1988.

Under the Service Agreement, the Company has obligated itself to accept and dispose of, using the Facility and Alternate Disposal Methods, in each contract year at least (1) 200,000 tons per year of Acceptable Waste, (2) the sum of the billing Period Acceptance Guarantees for a Contract Year, and (3) the sum of the Tons delivered during the Contract Year and Acceptable Waste that would have been Waste but for its rejection by the Company or the Service Agreement sum of the yearly Adjusted Guarantee Facility Capacity and the amount of landfill capacity for such Contract Year. Additionally, the Company has obligated itself to operate and maintain the Facility throughout the term of the Service Agreement for a service fee paid by the Contracting Communities through BRRFOC. The Contracting Communities have agreed to use their best efforts to cause to be delivered to the Facility all Acceptable Waste generated within their boundaries up to the Annual Guaranteed Capacity of the Facility and in any event, to deliver, or cause to be delivered, to the Facility, not less than 153,300 tons of Acceptable Waste in each Contract Year. The Company and the Contracting Communities have each agreed to seek additional Acceptable Waste up to the capacity of the Facility. In the event that for any reason such additional Acceptable Waste is not available, each Contracting Community is nevertheless obligated to pay its respective portion of the Service Fee, which is currently \$62.00 per ton for the fiscal year ending June 30, 2004. For the fiscal year ending June 30, 2005, the Service Fee will be \$63.50 per ton.

Waste disposal by the Company is to be provided through the operation of the Facility or by any other Alternate Disposal Method reasonably acceptable to the Contracting Communities, including permitted sanitary landfills. The Service Fee payable by each contracting Community for such waste disposal service is its pro-rata share, based on its respective tonnage deliveries of Acceptable Waste, of the sum for each monthly billing portion of (1) an amount equal to debt service on the BRRFOC Solid Waste Revenue Refunding Series 1995 Bonds; (2) the Operation and Maintenance Expense; (3) passthrough costs, including certain taxes, insurance, and utility costs, less a credit equal to 90% of all energy revenues and with an adjustment with respect to recovered ferrous metals; and (4) certain incentive payments. The Town is committed to deliver 12,550 tons of Acceptable Waste per year.

If the Facility is temporarily or permanently shut down and partially or completely unable to receive and process Acceptable Waste, the Company is obligated to provide waste disposal services by alternate disposal methods. In such circumstances, the Energy Credit and the Recovered Materials Adjustment will decrease.

The Company is obligated under the Service Agreement to seek to mitigate the effect of any shutdown, and the Operation and Maintenance Expense is to be adjusted to the extent the Facility is unable to receive and process Acceptable Waste, to reflect the Company's actual direct costs of alternate disposal.

For as long as the Service Agreement remains in effect, the Contracting Communities are obligated to pay the Service Fee to the Company whether or not the Contracting Communities deliver Acceptable Waste to the Facility and whether or not the Company disposes of such Acceptable Waste through the Facility. This obligation is absolute and unconditional, it is not subject to any rights of set-off, recoupment or counterclaim any Contracting Community may have against the Company, the Bond Indenture Trustee or any other person, and may not be suspended or discontinued for any purpose. In the event of a payment default under the Service Agreement by any one or more of the Contracting Communities, the non-defaulting Contracting Communities are jointly and severally liable to pay such defaulted amount. Each of the Contracting Communities pledges its full faith and credit to, and is obligated to appropriate, levy taxes, or otherwise raise the funds necessary for the payment in full of all amounts at any given time due from such Contracting Community under the Project Agreement or the Service Agreement to the complete satisfaction of all obligations of such Contracting Community under such agreements.

The Contracting Communities' obligation to pay the Service Fee ceases if the Service Agreement is terminated. If the Service Agreement is terminated due to a default by the Contracting Community, the non-terminating Contracting Communities are obligated to pay amounts sufficient to decrease the Bonds or pay amounts sufficient to make timely payments of principal and interest on the Bonds. If the Service Agreement is terminated due to a default by the Company, the Company is generally obligated to defease the Bonds or continue to make timely payments of principal and interest on the Bonds. If the Company does not perform its obligation under the Service Agreement and Covanta fails to perform such obligations pursuant to the Guaranty Agreement referred to below, the Contracting Communities have certain rights to terminate the Service Agreement and upon termination would be no longer obligated to pay the Service Fee.

The Company provides specific performance to the Contracting Communities under the Project Agreement and the Service Agreement. These include an Annual Acceptance Guarantee and an Energy Efficiency Guarantee of a minimum of 490-kilowatt hours of electricity net of in-plant use per ton of reference composition Acceptable Waste. Specific liquidated damages are payable for failure to meet performance guarantees.

Covanta guarantees the performance of all the obligations of the Company under the Project Agreement and the Service Agreement, including its obligation upon default, pursuant to a guarantee dated as of August 1, 1985 (the "Guaranty Agreement"). The obligations of Covanta under the Guaranty Agreement are absolute and unconditional.

The Town also operates a leaf compost site, and owns and manages a bulky waste landfill which accepts small quantities of demolition debris and land clearing debris through the transfer station; and cover materials, including clean and contaminated soils from the region. The Town provides collection of garbage and recyclables for single family homes through a private hauler. Rebates toward garbage and recycling collection costs are provided for condominium associations.

**Library:** The Town has two libraries available for use by its citizens: The Willoughby Wallace Library, which is fully funded and operated by the Town, and the James Blackstone Memorial Library, which is partially funded by the Town and is governed by a private Board of Directors. Both facilities are staffed by full and part-time professional staff, and include over 100,000 volumes for public use. Extensive use is made of computer data retrieval technologies, including CD-ROMS and Internet access. Both libraries are members of the Statewide LION reference system.

**Planning and Zoning Commission:** The Town has a combined Planning and Zoning Commission, working with the Director of Public Works and Town Engineer, whose duties are to guide, control and approve all design work and site development to conform with the Town ordinances and regulations and the Connecticut General Statutes.

**Education:** An elected nine member Board of Education is responsible for the operation of the six Branford Public Schools. The Town of Branford Public School system provides comprehensive educational programs to students in grades pre-kindergarten through grade twelve. It also provides a wide range of adult education courses to numerous and varied segments of the community.

The grade structure of the public school system is pre-kindergarten through grade 4, grades 5 through 8 and grades 9 through 12. A complete program of basic skills is offered to all students. The public schools also offer comprehensive special education courses. In addition, there is a wide variety of extracurricular activities including sports.

**Water:** The South Central Connecticut Regional Water Authority provides water services to the Town of Branford and the New Haven region. Under the legislation creating the Authority, the Authority is required to pay the Town an annual payment in lieu of taxes (PILOT) for Water Authority property within the Town boundaries. The assessed value of the Authority's property in Branford is \$8,197,677 on the Grand List of 10/01/02, generating a PILOT payment of \$186,825 for fiscal year 2003-04.

**Electric:** The Town is served by the Connecticut Light and Power Company, a publicly owned utility, and a subsidiary of Northeast Utilities.

## Town Organization

Branford is administered by a First Selectman, who acts as the Chief Executive Officer, a Board of Selectmen, a Representative Town Meeting ("RTM"), and a six member Board of Finance that constitute the Selectmen/Board of Finance/RTM form of government.

General Town elections are held on the first Tuesday after the first Monday in November of each odd numbered year to elect the Board of Selectmen, Town Treasurer, Tax Collector, Town Clerk, and members of the RTM. Their terms of office are for two years.

The RTM is made up of thirty elected members representing five voting districts. The members of the RTM choose one of their members to be Moderator of the RTM, who presides over all its meetings.

The legislative power of the Town is vested exclusively in the RTM, except as otherwise provided for by the electors. The RTM has the power to enact, amend, or repeal ordinances not inconsistent with the Charter or the General Statutes of the State. The electors have the power to approve or reject an ordinance by referendum, as provided in the Charter. The Board of Finance prepares the annual budget for recommendation to the RTM and sets the mill rate, as prescribed by Town Charter.

## Town Officials

The current Town Officials are:

|  | <u>Selection</u> | <u>Term Expires</u> | <u>Years of Service</u> |
|--|------------------|---------------------|-------------------------|
| John E. Opie - First Selectman                                       | Elected          | 11/05               | 0.5                     |
| Judith Myjak - Selectwoman   | Elected          | 11/05               | 0.5                     |
| Frank J. Kinney, III - Selectman                                     | Elected          | 11/05               | 0.5                     |
| Georgette A. Laske - Town Clerk                                      | Elected          | 1/06                | 13.5                    |
| Kenneth Delfini - Tax Collector                                      | Elected          | 11/05               | 0.5                     |
| Robert B. Denhardt, Jr. - Treasurer                                  | Elected          | 11/05               | 0.5                     |
| Robin Sandler - Town Attorney  | Appointed        | 11/05               | 0.5                     |
| Joseph Mooney - Board of Finance Chairman                            | Appointed        | 7/05                | 26.5                    |
| Barbara Neal - Assessor  | Appointed        | Indefinite          | 3.0                     |
| Dr. Bruce E. Storm - Superintendent of Schools                       | Appointed        | 6/05                | 12.0                    |
| James P. Finch - Director of Finance                                 | Appointed        | Indefinite          | 6.0                     |
| Scully & Wolf, LLP - Independent Auditors                            | Appointed        | Indefinite          | 7.0                     |
| Independent Bond and Investment Consultants LLC - Financial Advisors | Appointed        | Indefinite          | 10.0                    |

Source: Town of Branford.

## Education

An elected nine member Board of Education is responsible for the operation of the six Branford Public Schools. The Town of Branford Public School system provides comprehensive educational programs to students in grades pre-kindergarten through grade twelve. It also provides a wide range of adult education courses to numerous and varied segments of the community as part of a regional collaboration.

The grade structure of the public school system is: pre-kindergarten and special education; kindergarten through grade 4; grades 5 through 8 and grades 9 through 12. A complete program of basic skills is offered to all students. The public schools also offer comprehensive special education services. In addition, there is a wide variety of extracurricular activities including sports.

### School Facilities

| <u>School</u>         | <u>Grades</u> | <u>Date of Construction<br/>(Additions, Remodeling)</u> | <u>No. of<br/>Classrooms</u> | <u>October 1, 2003<br/>Enrollment</u> | <u>Capacity</u> |
|-----------------------|---------------|---|------------------------------|---------------------------------------|-----------------|
| Indian Neck           | EYP (1)       | 1950  | 4                            | 46                                    | 200             |
| Mary T. Murphy        | K-4           | 1960 (1991)   | 22                           | 452                                   | 500             |
| Mary R. Tisko         | K-4           | 1960 (1991)   | 22                           | 473                                   | 500             |
| John B. Sliney        | K-4           | 1928 (1979)   | 23                           | 376                                   | 500             |
| Branford Intermediate | 5-8           | 1972  | 74 (2)                       | 1,157                                 | 1,500           |
| Branford High School  | 9-12          | 1958 (1964,70,82,95,99)                                 | 88                           | 1,173                                 | 1,400           |
| Totals (3)            |               |   | <u>233</u>                   | <u>3,677</u>                          | <u>4,600</u>    |

- (1) Early Years Program (EYP), Family Resource Center, and School-Age Child Care Program.
- (2) This school is an open-plan facility. The number of classrooms listed is a conversion from the open-plan to the approximate number of teaching stations.
- (3) Includes Pre-kindergarten students and special education; does not include tuition and non-graded students.

Source: Central Administration - Branford Board of Education.

### School Enrollment

The following table presents school enrollment history and projected enrollment.

| <u>Enrollment History</u>   |             |            |             |                  |
|-----------------------------|-------------|------------|-------------|------------------|
| <u>As of October 1</u>      | <u>PK-4</u> | <u>5-8</u> | <u>9-12</u> | <u>Total (1)</u> |
| 1994-95                     | 1,549       | 1,054      | 959         | 3,562            |
| 1995-96                     | 1,548       | 1,111      | 951         | 3,610            |
| 1996-97                     | 1,558       | 1,163      | 977         | 3,698            |
| 1997-98                     | 1,532       | 1,150      | 969         | 3,651            |
| 1998-99                     | 1,547       | 1,170      | 997         | 3,714            |
| 1999-00                     | 1,491       | 1,232      | 1,032       | 3,755            |
| 2000-01                     | 1,464       | 1,217      | 1,103       | 3,784            |
| 2001-02                     | 1,469       | 1,190      | 1,136       | 3,795            |
| 2002-03                     | 1,372       | 1,202      | 1,199       | 3,773            |
| 2003-04                     | 1,347       | 1,157      | 1,173       | 3,677            |
| <u>Projected Enrollment</u> |             |            |             |                  |
| 2004-05                     | 1,315       | 1,125      | 1,175       | 3,615            |
| 2005-06                     | 1,275       | 1,096      | 1,161       | 3,532            |
| 2006-07                     | 1,199       | 1,059      | 1,164       | 3,422            |
| 2007-08                     | 1,168       | 1,019      | 1,122       | 3,309            |
| 2008-09                     | 1,131       | 1,005      | 1,094       | 3,230            |

- (1) Includes Pre-kindergarten students and special education; does not include tuition and non-graded students.

Source: Branford Board of Education and State of Connecticut Department of Education.



## Town Employees

Following is a breakdown by category of Town and Board of Education full time employees as of April 27, 2004:

| <u>Department</u>                   | <u>Employees</u> |
|-------------------------------------|------------------|
| <u>General Government Employees</u> |                  |
| General government                  | 38               |
| Public safety                       | 97               |
| Public works                        | 35               |
| Health & welfare                    | 21               |
| Recreation                          | 7                |
| Libraries                           | <u>1</u>         |
| Total General Government            | <u>199</u>       |
| <u>Board of Education Employees</u> |                  |
| Administration and Principals       | 19               |
| Teachers                            | 296              |
| Other                               | <u>190</u>       |
| Total Board of Education            | <u>505</u>       |
| Total Town Employees                | <u>704</u>       |

Source: Town Officials.

The following table reflects full time Town employment for the current and past nine fiscal years:

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Board of Education</u> | <u>Total</u> |
|--------------------|---------------------------|---------------------------|--------------|
| 1995               | 207                       | 425                       | 632          |
| 1996               | 213                       | 455                       | 668          |
| 1997               | 214                       | 474                       | 688          |
| 1998               | 215                       | 484                       | 699          |
| 1999               | 195                       | 492                       | 687          |
| 2000               | 199                       | 494                       | 693          |
| 2001               | 183                       | 496                       | 679          |
| 2002               | 189                       | 501                       | 690          |
| 2003               | 193                       | 504                       | 697          |
| 2004               | 199                       | 505                       | 704          |

Source: Town Officials

## ECONOMIC AND DEMOGRAPHIC DATA

### Population Trends

| <u>Year</u> | <u>Town of<br/>Branford</u> | <u>New Haven<br/>County</u> | <u>State of<br/>Connecticut</u> |
|-------------|-----------------------------|-----------------------------|---------------------------------|
| 1960        | 16,610                      | 660,315                     | 2,535,234                       |
| 1970        | 20,444                      | 744,948                     | 3,032,217                       |
| 1980        | 23,363                      | 761,337                     | 3,107,576                       |
| 1990        | 27,603                      | 804,219                     | 3,287,116                       |
| 2000        | 28,683                      | 824,008                     | 3,405,565                       |

Source: U.S. Department of Commerce, Bureau of Census, State of Connecticut, Department of Health Services.

### Selected Wealth and Income Indicators

Median family income, and, as available, per capita income statistics are provided for the Town, New Haven County, the State, and the United States.

|                  | <u>Median Family Income</u> |               | <u>Per Capita Income</u> |               |
|------------------|-----------------------------|---------------|--------------------------|---------------|
|                  | <u>(1990)</u>               | <u>(2000)</u> | <u>(1990)</u>            | <u>(2000)</u> |
| Town of Branford | \$51,710                    | \$69,510      | \$22,642                 | \$32,301      |
| New Haven County | 46,058                      | 60,549        | 17,666                   | 24,439        |
| Connecticut      | 49,199                      | 65,521        | 20,189                   | 28,766        |
| United States    | 35,225                      | 49,600        | 14,420                   | 21,690        |

Source: U.S. Department of Commerce, Bureau of Census.

### Age Characteristics of Population

|                      | <u>Town of Branford</u> |                | <u>State of Connecticut</u> |                |
|----------------------|-------------------------|----------------|-----------------------------|----------------|
|                      | <u>Number</u>           | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Under 5 years of age | 1,561                   | 5.4            | 223,344                     | 6.6            |
| 5-19 years of age    | 4,815                   | 16.8           | 702,358                     | 20.6           |
| 20-34 years of age   | 4,722                   | 16.5           | 639,211                     | 18.8           |
| 35-64 years of age   | 12,742                  | 44.4           | 1,370,469                   | 40.2           |
| Over 65 years of age | <u>4,843</u>            | <u>16.9</u>    | <u>470,183</u>              | <u>13.8</u>    |
| Total                | <u>28,683</u>           | <u>100.0</u>   | <u>3,405,565</u>            | <u>100.0</u>   |

Source: U.S. Department of Commerce, Bureau of Census, 2000.

### Income Distribution

|                    | <u>Town of Branford</u> |                | <u>State of Connecticut</u> |                |
|--------------------|-------------------------|----------------|-----------------------------|----------------|
|                    | <u>Families</u>         | <u>Percent</u> | <u>Families</u>             | <u>Percent</u> |
| \$ 0 to 9,999      | 168                     | 2.2            | 33,423                      | 3.8            |
| 10,000 to 14,999   | 140                     | 1.8            | 23,593                      | 2.7            |
| 15,000 to 24,999   | 468                     | 6.0            | 63,262                      | 7.1            |
| 25,000 to 34,999   | 559                     | 7.2            | 75,413                      | 8.5            |
| 35,000 to 49,999   | 968                     | 12.5           | 120,134                     | 13.6           |
| 50,000 to 74,999   | 1,910                   | 24.6           | 198,924                     | 22.5           |
| 75,000 to 99,999   | 1,544                   | 19.9           | 141,981                     | 16.0           |
| 100,000 to 149,999 | 1,190                   | 15.4           | 132,177                     | 14.9           |
| 150,000 to 199,999 | 401                     | 5.2            | 42,472                      | 4.8            |
| 200,000 or more    | <u>402</u>              | <u>5.2</u>     | <u>54,368</u>               | <u>6.1</u>     |
|                    | <u>7,750</u>            | <u>100.0</u>   | <u>885,747</u>              | <u>100.0</u>   |

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

## Educational Attainment

| <u>Years of School Completed, Age 25 &amp; Over</u> | <u>Town of Branford</u> |                | <u>State of Connecticut</u> |                |
|---|-------------------------|----------------|-----------------------------|----------------|
|   | <u>Number</u>           | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Elementary<br>0-8 Years                             | 584                     | 2.8            | 132,917                     | 5.8            |
| High School<br>1-3 Years                            | 1,414                   | 6.6            | 234,739                     | 10.2           |
| 4 Years   | 5,622                   | 26.4           | 653,300                     | 28.5           |
| College<br>1-3 Years                                | 5,432                   | 25.5           | 553,667                     | 24.1           |
| 4 Years or More                                     | <u>8,246</u>            | <u>38.7</u>    | <u>720,994</u>              | <u>31.4</u>    |
| Total   | <u>21,298</u>           | <u>100.0</u>   | <u>2,295,617</u>            | <u>100.0</u>   |

Source: U.S. Department of Commerce, Bureau of the Census, 2000 Census.

## Employment by Industry

|   | <u>Town of Branford</u> |                | <u>State of Connecticut</u> |                |
|---|-------------------------|----------------|-----------------------------|----------------|
|   | <u>Number</u>           | <u>Percent</u> | <u>Number</u>               | <u>Percent</u> |
| Agriculture, forestry, fishing,<br>hunting and mining                                     | -0-                     | 0.0            | 7,445                       | 0.5            |
| Construction  | 907                     | 5.7            | 99,913                      | 6.0            |
| Manufacturing   | 1,805                   | 11.4           | 246,607                     | 14.8           |
| Wholesale trade   | 435                     | 2.7            | 53,231                      | 3.2            |
| Retail trade  | 1,906                   | 12.0           | 185,633                     | 11.2           |
| Transportation & warehousing,<br>and utilities  | 597                     | 3.8            | 64,662                      | 3.9            |
| Information   | 660                     | 4.2            | 55,202                      | 3.3            |
| Finance, insurance, real estate,<br>and rental & leasing                                  | 994                     | 6.3            | 163,568                     | 9.8            |
| Professional, scientific, management,<br>administrative, and waste<br>management services | 1,631                   | 10.3           | 168,334                     | 10.1           |
| Educational, health & social services   | 4,411                   | 27.9           | 366,568                     | 22.0           |
| Arts, entertainment, recreation,<br>accommodation and food services                       | 996                     | 6.3            | 111,424                     | 6.7            |
| Other services<br>(except public administration)  | 924                     | 5.8            | 74,499                      | 4.5            |
| Public Administration   | <u>554</u>              | <u>3.5</u>     | <u>67,354</u>               | <u>4.0</u>     |
| TOTAL   | <u>15,820</u>           | <u>100.0</u>   | <u>1,664,440</u>            | <u>100.0</u>   |

Source: U.S. Department of Commerce, Bureau of the Census, 2000

## Number of Dwelling Units

| <u>2000</u> | <u>1990</u> | <u>1980</u> | <u>% Increase<br/>1990-2000</u> | <u>% Increase<br/>1980-2000</u> |
|-------------|-------------|-------------|---------------------------------|---------------------------------|
| 13,342      | 13,056 (1)  | 9,082       | 2.2%                            | 46.9%                           |

(1) Connecticut Department of Housing

Source: U.S. Department of Commerce, Bureau of the Census

## Major Employers

The following table sets forth the name and estimated number of persons employed within the Town by the major employers located within the Town:

| <u>Name of Employer</u>    | <u>Nature of Entity</u> | <u>Estimated<br/>Number Of<br/>Employees</u> |
|----------------------------|-------------------------|--|
| Town of Branford           | Municipal government    | 704  |
| Connecticut Hospice        | Hospice                 | 325  |
| Branford Hills Health Care | Health Care             | 285  |
| Wal-Mart                   | Retail store            | 260  |
| Seton Name Plate           | Manufacturing           | 260  |
| Curagen                    | Bioscience              | 239  |
| Blakeslee Prestress        | Manufacturing           | 231  |
| Stop & Shop                | Retail food             | 190  |
| Neurogen Corporation       | Bioscience              | 160  |
| Cintas                     | Service                 | 160  |
| Aplicare                   | Manufacturing           | 150  |
| A&P                        | Retail food             | 150  |
| Harco Labs                 | Environmental           | 135  |
| Lester Telemarketing       | Service                 | 125  |
| Kohls                      | Retail store            | 110  |
| CAS Medical                | Manufacturing           | 86   |
| Turbine Components         | Manufacturing           | 85   |
| Atlantic Wire              | Manufacturing           | 65   |
| Cellular Genomics          | Bioscience              | <u>51</u>                                    |
| Total                      |                         | <u>3,771</u>                                 |

Source: Town of Branford.

## Unemployment Rate Statistics

The following table presents unemployment rates for the Town, the New Haven Labor Market, the State, and for the United States:

| <u>Yearly<br/>Average</u> | <u>Town of<br/>Branford</u> | <u>New Haven<br/>Labor Market</u> | <u>State of<br/>Connecticut</u> | <u>United<br/>States</u> |
|---------------------------|-----------------------------|-----------------------------------|---------------------------------|--------------------------|
| 1994                      | 4.8%                        | 5.5%                              | 5.6%                            | 6.1%                     |
| 1995                      | 4.5                         | 5.5                               | 5.5                             | 5.6                      |
| 1996                      | 4.8                         | 5.8                               | 5.7                             | 5.4                      |
| 1997                      | 4.3                         | 5.2                               | 5.1                             | 4.9                      |
| 1998                      | 2.9                         | 3.3                               | 3.4                             | 4.5                      |
| 1999                      | 2.6                         | 3.1                               | 3.2                             | 4.2                      |
| 2000                      | 2.0                         | 2.3                               | 2.3                             | 4.0                      |
| 2001                      | 2.8                         | 3.2                               | 3.3                             | 4.8                      |
| 2002                      | 3.3                         | 4.1                               | 4.3                             | 5.8                      |
| 2003                      | 4.1                         | 4.9                               | 5.0                             | 6.0                      |
| 2004 Monthly              |                             |                                   |                                 |                          |
| January                   | 4.1                         | 5.0                               | 5.2                             | 6.3                      |
| February                  | 4.1                         | 5.1                               | 5.3                             | 6.0                      |

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

## Building Permits

| Calendar<br>Year<br>Ending<br>12/31 | Single Family |              | Two Family |           | Commercial/<br>Industrial |             | Other   |              | Total Value |              |
|-------------------------------------|---------------|--------------|------------|-----------|---------------------------|-------------|---------|--------------|-------------|--------------|
|                                     | Permits       | Value        | Permits    | Value     | Permits                   | Value       | Permits | Value        | Permits     | Value        |
| 2004 (1)                            | 7             | \$ 2,384,720 | -0-        | \$ -0-    | 3                         | \$2,071,000 | 135     | \$ 2,950,466 | 145         | \$ 7,406,186 |
| 2003                                | 37            | 9,736,610    | -0-        | -0-       | 5                         | 2,078,852   | 3,180   | 16,749,472   | 3,222       | 28,564,934   |
| 2002                                | 58            | 12,424,050   | 1          | 110,000   | 10                        | 2,765,816   | 3,497   | 17,724,942   | 3,566       | 33,024,808   |
| 2001                                | 40            | 8,579,600    | 2          | 247,000   | 3                         | 295,000     | 4,268   | 19,623,093   | 4,313       | 28,744,693   |
| 2000                                | 26            | 4,173,800    | 6          | 1,290,000 | 8                         | 2,648,000   | 3,914   | 16,354,510   | 3,954       | 24,466,310   |
| 1999                                | 48            | 6,157,615    | 3          | 244,960   | 3                         | 370,000     | 3,777   | 13,983,147   | 3,831       | 20,755,722   |
| 1998                                | 39            | 4,116,900    | 1          | 82,400    | 5                         | 4,557,426   | 3,865   | 15,401,051   | 3,910       | 24,157,777   |
| 1997                                | 37            | 3,865,520    | 5          | 415,480   | 6                         | 2,595,718   | 3,421   | 17,735,538   | 3,469       | 24,612,256   |
| 1996                                | 48            | 4,394,120    | 4          | 422,180   | 1                         | 4,835,000   | 3,572   | 5,534,666    | 3,625       | 15,185,966   |
| 1995                                | 49            | 4,554,960    | 4          | 387,520   | 1                         | 2,837,937   | 4,143   | 8,424,896    | 4,197       | 16,205,313   |

(1) As of March 31, 2004.

Source: Building Department, Town of Branford.

## Retail Sales - Calendar Year

|                             | <u>2002</u>            | <u>2001</u>            | <u>2000</u>          | <u>1999</u>          | <u>1998</u>          |
|-----------------------------|------------------------|------------------------|----------------------|----------------------|----------------------|
| <b>Retail Stores</b>        |                        |                        |                      |                      |                      |
| Hardware                    | \$ 15,175,594          | \$ 11,828,929          | \$ 14,868,492        | \$ 15,426,881        | \$ 13,871,714        |
| General Merchandise         | 244,080,466            | 203,028,284            | 113,763,354          | 625,316              | 704,009              |
| Food Products               | 27,189,536             | 41,021,746             | 9,447,303            | 12,162,141           | 13,360,926           |
| Automotive Products         | 139,199,731            | 116,039,967            | 91,158,159           | 102,685,407          | 97,494,415           |
| Apparel & Accessory Stores  | 3,172,462              | 3,606,639              | 3,391,576            | 3,080,902            | 2,603,212            |
| Home Furnish & Appliance    | 11,813,018             | 12,316,069             | 5,058,500            | 8,753,794            | 18,210,803           |
| Eating & Drinking Places    | 48,670,589             | 49,971,033             | 68,659,343           | 67,390,391           | 67,390,391           |
| Misc. Shopping Goods Stores | <u>444,264,444</u>     | <u>384,128,590</u>     | <u>360,686,584</u>   | <u>297,032,971</u>   | <u>243,071,337</u>   |
| Subtotal                    | <u>933,565,840</u>     | <u>821,941,257</u>     | <u>667,033,311</u>   | <u>507,157,803</u>   | <u>449,438,991</u>   |
| All Other Outlets           | <u>227,693,527</u>     | <u>270,690,387</u>     | <u>260,204,506</u>   | <u>230,038,439</u>   | <u>204,298,713</u>   |
| Total All Outlets           | <u>\$1,161,259,367</u> | <u>\$1,092,631,644</u> | <u>\$927,237,817</u> | <u>\$737,196,242</u> | <u>\$653,737,704</u> |

Source: Tax Research Unit, Department of Revenue Services, State of Connecticut

# TOWN INDEBTEDNESS PRO FORMA

## Computation of Statutory Debt Limit and Debt Margin

The following table sets forth the computation of the statutory debt limit and debt margin of the Town as of April 27, 2004:

|  |                     |
|--|---------------------|
| Total Fiscal Year 2003 tax collections (including interest and lien fees)  | \$60,919,250        |
| Total Fiscal Year 2003 tax collections (including interest and lien fees)<br>of coterminous Municipalities (estimated) (1) | 994,408             |
| State Reimbursement for Revenue Loss on Tax Relief for the Elderly   | <u>21,849</u>       |
| Base for Establishing Debt Limit   | <u>\$61,935,507</u> |

### Debt Limit (2)

|   | General<br>Purpose   | Schools              | Sewers               | Urban<br>Renewal     | Unfunded<br>Past<br>Pension | Total<br>Debt        |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------------|----------------------|
| General Purpose<br>(2.25 times base)  | \$139,354,891        |                      |                      |                      |                             |                      |
| Schools<br>(4.50 times base)  |                      | \$278,709,782        |                      |                      |                             |                      |
| Sewers<br>(3.75 times base)   |                      |                      | \$232,258,151        |                      |                             |                      |
| Urban Renewal<br>(3.25 times base)  |                      |                      |                      | \$201,290,398        |                             |                      |
| Unfunded Past Pension<br>(3.00 times base)  |                      |                      |                      |                      | \$185,806,521               |                      |
| Total Debt (1)<br>(7.00 times base)   |                      |                      |                      |                      |                             | \$433,548,549        |
| <b>Indebtedness (Including the Bonds)</b>   |                      |                      |                      |                      |                             |                      |
| Bonds Payable (3)   | \$ 8,037,000         | \$ 23,773,000        | \$ 5,938,000         | \$ -0-               | \$ -0-                      | \$ 37,748,000        |
| The Refunded Bonds  | -0-                  | ( 7,200,000)         | -0-                  | -0-                  | -0-                         | ( 7,200,000)         |
| The Bonds ( <i>This Issue</i> )   | -0-                  | 7,860,000            | -0-                  | -0-                  | -0-                         | 7,860,000            |
| State of Connecticut<br>Clean Water Fund<br>Project Loan<br>Obligations (PLO) (4) | -0-                  | -0-                  | 20,689,213           | -0-                  | -0-                         | 20,689,213           |
| Authorized but<br>Unissued Debt   | <u>2,500,000</u>     | <u>-0-</u>           | <u>1,581,412</u>     | <u>-0-</u>           | <u>-0-</u>                  | <u>4,081,412</u>     |
| Total Indebtedness  | <u>10,537,000</u>    | <u>24,433,000</u>    | <u>28,208,625</u>    | <u>-0-</u>           | <u>-0-</u>                  | <u>63,178,625</u>    |
| Less:   |                      |                      |                      |                      |                             |                      |
| Sewer Assessments (5)   | -0-                  | -0-                  | ( 1,447,071)         | -0-                  | -0-                         | ( 1,447,071)         |
| School grants receivable (6)  | <u>-0-</u>           | <u>( 8,390,193)</u>  | <u>-0-</u>           | <u>-0-</u>           | <u>-0-</u>                  | <u>( 8,390,193)</u>  |
| Net Total Indebtedness  | <u>10,537,000</u>    | <u>16,042,807</u>    | <u>26,761,554</u>    | <u>-0-</u>           | <u>-0-</u>                  | <u>53,341,361</u>    |
| Excess of Limit Over<br>Outstanding and<br>Authorized Debt                        | <u>\$128,817,891</u> | <u>\$262,666,975</u> | <u>\$205,496,597</u> | <u>\$201,290,398</u> | <u>\$185,806,521</u>        | <u>\$380,207,188</u> |

(1) Other political subdivisions with power to cause taxes to be levied on taxable property in the Town are numerous tax districts and other associations. There is no outstanding indebtedness of these districts as of April 27, 2004.

(2) Under Connecticut General Statutes, municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

|   |  |
|---|--|
| General Purposes:                       | 2.25 times annual receipts from taxation |
| School Purposes:                        | 4.50 times annual receipts from taxation |
| Sewer Purposes:                         | 3.75 times annual receipts from taxation |
| Urban Renewal Purposes:                 | 3.25 times annual receipts from taxation |
| Unfunded Past Pension Benefit Purposes: | 3.00 times annual receipts from taxation |

Under Connecticut General Statutes, total indebtedness for all classes cannot exceed seven times the base, or \$433,548,549.

(3) Does not include \$862,000 of water debt excluded by Connecticut General Statutes Section 7-374.

(4) Includes Project Loan Obligations dated June 30, 1994, October 31, 1999 and April 16, 2003. (See "Clean Water Fund" herein).

(5) Sewer assessment receivable as of April 1, 2004.

(6) The Town anticipates receiving State of Connecticut principal subsidy grants in the amount of \$8,390,193 over the remaining life of outstanding school bonds approved prior to July 1, 1996. (See "School Projects" herein).

Source: Town Officials

### Calculation of Net Direct Indebtedness

The following table sets forth all outstanding indebtedness of the Town, pro forma as of April 27, 2004, less applicable exclusions:

#### Indebtedness (1)

##### Bonded Debt

|   |                   |
|---|-------------------|
| The Refunding Bonds ( <i>This Issue</i> ) | \$ 7,860,000      |
| The Refunded Bonds                        | ( 7,200,000)      |
| General Purpose                           | 8,037,000         |
| Schools                                   | 23,773,000        |
| Water                                     | 862,000           |
| Sewers                                    | 5,938,000         |
| State of Connecticut Clean Water Fund PLO | <u>20,689,213</u> |

##### Total Bonded Debt

59,959,213

##### Short-Term Debt

-0-

##### Direct Debt

59,959,213

##### Exclusions:

|  |                     |
|--|---------------------|
| Water assessments receivable (2)         | ( 229,359)          |
| Sewer assessments receivable (3)         | ( 1,447,071)        |
| State school building aid receivable (4) | <u>( 8,390,193)</u> |

##### Net Direct Debt

\$49,892,590

(1) Does not include authorized but unissued debt of \$4,081,412.

(2) Water assessment receivable as of April 1, 2004.

(3) Sewer assessment receivable as of April 1, 2004.

(4) The Town anticipates receiving State of Connecticut principal subsidy grants in the amount of \$8,390,193 over the remaining life of outstanding school bonds approved prior to July 1, 1996. (See "School Projects" herein).

### History of Outstanding Indebtedness

The following table sets forth the total long-term bonded indebtedness and short-term indebtedness outstanding at the end of each of the fiscal years 1994-2003:

| Fiscal Year<br>Ended 6/30 | Short-Term Debt | Long-Term Debt | Total Debt   |
|---------------------------|-----------------|----------------|--------------|
| 2003                      | \$ -0-          | \$60,013,991   | \$60,013,991 |
| 2002                      | 18,389,521      | 43,523,652     | 61,913,173   |
| 2001                      | 12,134,148      | 47,749,149     | 59,883,297   |
| 2000                      | 4,020,000       | 39,288,251     | 43,308,251   |
| 1999                      | 1,120,151       | 42,177,130     | 43,297,281   |
| 1998                      | 873,470         | 46,314,381     | 47,187,851   |
| 1997                      | 1,111,390       | 32,920,000     | 34,031,390   |
| 1996                      | 6,530,710       | 20,322,000     | 26,852,710   |
| 1995                      | 4,453,792       | 22,770,000     | 27,223,792   |
| 1994                      | 2,225,619       | 25,255,000     | 27,480,619   |

### Outstanding Short-Term Indebtedness

The Town currently has no outstanding short-term indebtedness.

### Overlapping and Underlying Indebtedness

The Town has no overlapping indebtedness. Other political subdivisions with power to issue underlying indebtedness or cause taxes to be levied on taxable property in the Town are numerous tax districts and other associations. There is no outstanding indebtedness of these districts as of April 27, 2004.

## Debt Ratios

The following table sets forth certain ratios relating to the Town's indebtedness, giving effect to this financing:

|                                     | Amount of           | Per               | Percentage           |
|-------------------------------------|---------------------|-------------------|----------------------|
|                                     | <u>Indebtedness</u> | <u>Capita (a)</u> | <u>Of Full</u>       |
|                                     |                     |                   | <u>Valuation (b)</u> |
| Direct Indebtedness (c,d)           | \$59,959,213        | \$2,090.41        | 1.70%                |
| Total Net Direct Indebtedness (c,d) | \$49,892,590        | \$1,739.45        | 1.41%                |

Notes:

- (a) The Town's 2000 population is estimated at 28,683. (See "Population Trends" herein.)
- (b) The October 1, 2001 estimated Equalized Net Grand List, i.e. estimated full valuation of taxable property, as developed by the State of Connecticut, Office of Policy and Management, was \$3,533,619,550.
- (c) See "Calculation of Net Direct Indebtedness" herein. For purposes of ratio analysis, net direct indebtedness includes grants receivable.
- (d) Excludes Refunded Bonds, includes the Bonds.

## Clean Water Fund Program

The Town of Branford is a participant in the State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan.)

Loans to each municipality are made pursuant to Project Grant and Project Loan Agreements (the "Loan Agreement"). Each municipality is obligated to repay only that amount which it draws down for the payment of project costs ("Interim Funding Obligations"). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement repayable thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

The Town has the following Clean Water loans outstanding:

| <u>Project</u> | <u>Original 2%<br/>Loan Amount</u> | <u>Amount Outstanding<br/>as of April 27, 2004</u> |
|----------------|------------------------------------|--|
| CWF PLO 277-PD | \$ 270,620                         | \$ 135,517   |
| CWF PLO 358-D  | 1,270,151                          | 1,011,369  |
| CWF PLO 358-C  | <u>20,929,997</u>                  | <u>19,542,327</u>                                  |
|                | <u>\$22,470,768</u>                | <u>\$20,689,213</u>                                |



# COMBINED SCHEDULE OF LONG TERM DEBT THROUGH MATURITY

## PRO FORMA AS OF

APRIL 27, 2004

| Fiscal<br>Year | Principal<br>Payments | (1,2) | Interest<br>Payments | Total<br>Payments   | (1,2) | Refunded<br>Bonds<br>Principal<br>Payments | The Bonds<br>Principal<br>Payments | Total<br>Principal<br>All Issues | (1,3) |
|----------------|-----------------------|-------|----------------------|---------------------|-------|--|------------------------------------|----------------------------------|-------|
| 2004           | \$ 4,242,120          |       | \$ 2,314,868         | \$ 6,556,988        |       | \$ -0-                                     | \$ 165,000                         | \$ 4,407,120                     |       |
| 2005           | 4,361,136             |       | 2,127,892            | 6,489,028           |       | -0-  | 75,000                             | 4,436,136                        |       |
| 2006           | 4,540,536             |       | 1,938,146            | 6,478,682           |       | -0-  | 105,000                            | 4,645,536                        |       |
| 2007           | 4,515,327             |       | 1,751,125            | 6,266,452           |       | -0-  | -0-                                | 4,515,327                        |       |
| 2008           | 4,485,518             |       | 1,568,935            | 6,054,453           |       | -0-  | 325,000                            | 4,810,518                        |       |
| 2009           | 3,911,117             |       | 1,382,351            | 5,293,468           |       | ( 800,000)                                 | 1,130,000                          | 4,241,117                        |       |
| 2010           | 3,437,131             |       | 1,210,407            | 4,647,538           |       | ( 800,000)                                 | 1,125,000                          | 3,762,131                        |       |
| 2011           | 3,458,569             |       | 1,077,764            | 4,536,333           |       | ( 800,000)                                 | 1,175,000                          | 3,833,569                        |       |
| 2012           | 3,575,441             |       | 946,512              | 4,521,953           |       | ( 800,000)                                 | 1,170,000                          | 3,945,441                        |       |
| 2013           | 3,565,030             |       | 803,452              | 4,368,482           |       | ( 800,000)                                 | 1,225,000                          | 3,990,030                        |       |
| 2014           | 3,573,941             |       | 653,585              | 4,227,526           |       | ( 800,000)                                 | 1,225,000                          | 3,998,941                        |       |
| 2015           | 3,601,872             |       | 508,696              | 4,110,568           |       | ( 800,000)                                 | 140,000                            | 2,941,872                        |       |
| 2016           | 2,690,223             |       | 363,095              | 3,053,318           |       | ( 800,000)                                 | -0-                                | 1,890,223                        |       |
| 2017           | 2,714,045             |       | 263,773              | 2,977,818           |       | ( 800,000)                                 | -0-                                | 1,914,045                        |       |
| 2018           | 1,863,348             |       | 163,970              | 2,027,318           |       | -0-  | -0-                                | 1,863,348                        |       |
| 2019           | 1,502,433             |       | 107,829              | 1,610,262           |       | -0-  | -0-                                | 1,502,433                        |       |
| 2020           | 1,196,059             |       | 68,600               | 1,264,659           |       | -0-  | -0-                                | 1,196,059                        |       |
| 2021           | 1,220,201             |       | 44,458               | 1,264,659           |       | -0-  | -0-                                | 1,220,201                        |       |
| 2022           | 1,244,830             |       | 19,829               | 1,264,659           |       | -0-  | -0-                                | 1,244,830                        |       |
| 2023           | <u>315,114</u>        |       | <u>1,051</u>         | <u>316,165</u>      |       | <u>-0-</u>                                 | <u>-0-</u>                         | <u>315,114</u>                   |       |
|                | <u>\$60,013,991</u>   |       | <u>\$17,316,338</u>  | <u>\$77,330,329</u> |       | <u>\$(7,200,000)</u>                       | <u>\$7,860,000</u>                 | <u>\$60,673,991</u>              |       |

(1) Does not reflect fiscal year 2003-04 principal payments of \$704,822 made as of April 27, 2004.

(2) Includes Refunded Bonds, excludes the Bonds.

(3) Includes the Bonds, excludes Refunded Bonds.

Source: Town of Branford.

## TOWN FINANCIAL DATA

The Town's finances are operated primarily through the General Fund. All property taxes and most other revenues are paid into General Fund and all current operating expenditures are paid from it. The Town also utilizes the following funds: Capital Projects Fund, Special Revenue Fund, Trust and Agency Fund and Pension Trust Funds. Major capital improvement projects are financed by the issuance of bonds and bond anticipation notes. The Town's fiscal year begins July 1 and ends June 30. Financial statements of the Town are included in "Audited Financial Statements" in Appendix A herein.

### Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Town revenues are summarized for fiscal years ended 1999-2003 in "Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

### Property Tax

The Town derived the following percentage of its annual revenues from the direct property tax:

| <u>Fiscal Year</u>       | <u>Percentage</u> |
|--------------------------|-------------------|
| 1993-94                  | 85.19%            |
| 1994-95                  | 83.99             |
| 1995-96                  | 85.45             |
| 1996-97                  | 84.14             |
| 1997-98                  | 83.19             |
| 1998-99                  | 82.65             |
| 1999-00                  | 82.26             |
| 2000-01                  | 80.30             |
| 2001-02                  | 80.80             |
| 2002-03                  | 82.00             |
| 2003-04 (Adopted Budget) | 83.70             |

### Real Property Tax Collection Procedure

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1, payable in two installments, July 1 and January 1. Payments not received one month after the due date become delinquent.

Delinquent property taxes are subject to the interest rate to 1.5% per month. Real estate is lienied for delinquent taxes within one year after the tax due date.

## Real Property Tax Levies and Collections

The following table sets forth the amount of annual property tax levy and the tax collection record of the Town for fiscal years 1995 through 2003, and as budgeted for fiscal year 2004:

| FY<br>Ending<br>6/30 | Net Taxable<br>Grand List | Total<br>Tax Rate<br>(In Mills) | Adjusted<br>Tax Levy | Collected<br>End of<br>Each<br>FY | Uncollected Taxes    |                   |
|----------------------|---------------------------|---------------------------------|----------------------|-----------------------------------|----------------------|-------------------|
|                      |                           |                                 |                      |                                   | End of<br>Each<br>FY | As of<br>06/30/03 |
| 2004                 | \$2,716,106,910           | 22.79                           | \$61,886,951         | In Process                        | In Process           | In Process        |
| 2003                 | 2,038,883,517             | 29.14                           | 59,826,471           | 98.0%                             | \$1,218,890          | \$1,218,890       |
| 2002 (1)             | 2,025,281,157             | 27.92                           | 57,002,473           | 96.9                              | 1,742,144            | 682,909           |
| 2001                 | 2,007,936,691             | 26.19                           | 52,999,927           | 96.5                              | 1,845,891            | 412,336           |
| 2000                 | 1,975,365,731             | 24.89                           | 49,665,955           | 97.5                              | 1,246,810            | 308,539           |
| 1999                 | 1,943,218,181             | 23.53                           | 46,079,853           | 97.7                              | 1,017,740            | 230,390           |
| 1998                 | 1,925,893,829             | 22.56                           | 43,682,431           | 97.6                              | 1,036,128            | 111,696           |
| 1997                 | 1,917,503,754             | 22.19                           | 42,669,729           | 96.9                              | 1,345,064            | 87,466            |
| 1996                 | 1,885,553,785             | 21.80                           | 41,179,022           | 97.5                              | 1,020,118            | 62,362            |
| 1995                 | 1,858,503,182             | 21.40                           | 39,771,965           | 97.5                              | 969,176              | 24,644            |

(1) The last revaluation was effective October 1, 2002.

Source: Tax Collector's Office, Town of Branford.

## Taxable Grand List

The following table sets forth the Town's taxable Grand List by component, for the Grand Lists dated October 1, 1993 through October 1, 2002.

| Grand<br>List Dated | (%)<br>Residential<br>Property | (%)<br>Industrial &<br>Commercial<br>Property | (%)<br>Land | (%)<br>Motor<br>Vehicles | (%)<br>Personal<br>Property | Gross Taxable<br>Grand List | Exemptions   | Net Taxable<br>Grand List |
|---------------------|--------------------------------|---|-------------|--------------------------|-----------------------------|-----------------------------|--------------|---------------------------|
| 10/1/02 (1)         | 74.3                           | 13.4  | 0.4         | 7.0                      | 4.9                         | \$2,753,521,479             | \$37,414,569 | \$2,716,106,910           |
| 10/1/01             | 66.3                           | 17.1  | 1.5         | 9.1                      | 5.9                         | 2,073,521,619               | 34,638,102   | 2,038,883,517             |
| 10/1/00             | 66.3                           | 17.6  | 1.6         | 8.9                      | 5.5                         | 2,056,736,650               | 31,455,493   | 2,025,281,157             |
| 10/1/99             | 66.4                           | 17.8  | 1.6         | 8.7                      | 5.5                         | 2,041,216,013               | 33,279,322   | 2,007,936,691             |
| 10/1/98 (2)         | 67.1                           | 17.8  | 1.6         | 8.1                      | 5.3                         | 2,008,649,050               | 33,283,319   | 1,975,365,731             |
| 10/1/97             | 41.7                           | 12.3  | 33.3        | 7.8                      | 4.8                         | 1,974,371,595               | 31,153,414   | 1,943,218,181             |
| 10/1/96             | 41.5                           | 12.3  | 34.0        | 7.5                      | 4.7                         | 1,950,953,988               | 25,057,159   | 1,925,896,829             |
| 10/1/95             | 41.7                           | 12.1  | 34.1        | 7.6                      | 4.5                         | 1,940,084,844               | 22,511,090   | 1,917,573,754             |
| 10/1/94             | 42.0                           | 12.4  | 34.7        | 6.7                      | 4.2                         | 1,906,300,105               | 20,766,320   | 1,885,533,785             |
| 10/1/93             | 41.7                           | 12.6  | 35.4        | 6.2                      | 4.1                         | 1,876,604,488               | 18,101,306   | 1,858,503,182             |

(1) The latest revaluation was effective October 1, 2002 as described above.

(2) The State of Connecticut changed the reporting location of land in the grand list from land category to other real property categories.

Source: Assessor's office, Town of Branford.

## Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2002:

| <u>Name of Taxpayer</u>             | <u>Nature of Business</u>    | <u>Grand List<br/>Amount</u> | <u>Estimated<br/>Taxes</u> |
|-------------------------------------|------------------------------|------------------------------|----------------------------|
| Connecticut Light & Power           | Utility                      | \$17,015,918                 | \$ 387,793                 |
| Dana Corporation                    | Manufacturing                | 16,413,785                   | 374,070                    |
| Kiop Branford LLC                   | Shopping Plaza               | 9,416,169                    | 214,594                    |
| Neurogen Corporation                | Research and Development Lab | 9,268,051                    | 211,219                    |
| Business Park Realty                | Commercial Real Estate       | 7,820,265                    | 178,224                    |
| Tiffany Associates                  | Commercial                   | 7,383,057                    | 168,260                    |
| WalMart Stores, Inc.                | Retail                       | 7,078,526                    | 161,320                    |
| Wilcris Realty                      | Theatre & Pharmacy           | 6,111,950                    | 139,291                    |
| Fusco-Shiller Branford Assoc.       | Shopping Center              | 6,013,786                    | 137,054                    |
| Branford Retirement LTD Partnership | Retirement Home              | <u>5,482,646</u>             | <u>124,950</u>             |
| Total                               |                              | <u>\$92,004,153</u> (1)      | <u>\$2,096,775</u> (2)     |

(1) Represents 3.39% of the net taxable grand list of \$2,716,106,910 dated October 1, 2002.

(2) Represents 3.39% of the adopted tax levy of \$61,886,951 for fiscal year 2003-04.

Note: South Central Connecticut Regional Water Authority (the "Authority") is required to make annual payments to the Town equivalent to the taxes which would otherwise be due for the property of the Authority in such municipality excluding any improvements to or construction on any such real property by the Authority. The Authority currently makes payments in lieu of taxes (PILOT) at the current mill rate on personal and real property assessed at \$8,197,677 amounting to \$186,825. Exempt property acquired after the transfer day is not subject to taxation. Payments to the Town are not treated as taxes for accounting purposes; therefore the Authority is not considered a taxpayer.

Source: Assessor's Office, Town of Branford.

## Federal and State Aid

The Town receives financial assistance from the Federal and State governments, which comes primarily in the form of grants for Town operations and education.

The following table sets forth the percentage of Town General Fund revenues comprised of Federal and State aid for each of the fiscal years ended 1995-2003, and as budgeted for fiscal year 2003-04:

| <u>Fiscal Year</u>    | <u>General Fund Revenues</u> | <u>Federal/State Aid</u> | <u>Federal/State Aid As a Percentage Of General Fund Revenue</u> |
|-----------------------|------------------------------|--------------------------|--|
| 2004 (Adopted budget) | \$72,106,402                 | \$4,062,760              | 5.6%   |
| 2003                  | 71,471,916                   | 5,390,976                | 7.5  |
| 2002                  | 68,370,378                   | 5,783,023                | 8.5  |
| 2001                  | 63,720,784                   | 6,007,277                | 9.4  |
| 2000                  | 60,541,090                   | 6,088,978                | 10.1   |
| 1999                  | 57,430,185                   | 6,951,517                | 12.1   |
| 1998                  | 53,399,967                   | 4,915,533                | 9.2  |
| 1997                  | 50,627,125                   | 4,405,297                | 8.7  |
| 1996                  | 48,713,264                   | 3,571,950                | 7.3  |
| 1995                  | 47,776,121                   | 3,588,576                | 7.5  |

Source: Annual audited financial statements; Finance Department; 2003-04 fiscal year budget.

## Expenditures

The Town's major expenditure is for education, which represents 51.1% of fiscal year 2003-04 budgeted General Fund expenditures. Other major expenditures and their approximate percentages are: public safety, 10.7%; general government, 4.7%; public works, 9.3%; pension and insurance, 8.1%; and debt service, 8.7%. Town expenditures are summarized for Fiscal Years ended 1999-2003 in "Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund" herein.

## **BUDGETARY PROCEDURE**

The Branford Town Charter defines in Section 5 the Town's budgetary policy. The following is the budgetary sequence and time schedule generally followed by the Town:

|                                      |  |
|--------------------------------------|--|
| <u>By the last week of February.</u> | All boards, commissions and department heads (including the Board of Education) submit their revenue and expenditure estimates for the annual budget to the First Selectman. |
| <u>By the second week of March.</u>  | The First Selectman presents budget estimates to the Board of Finance. The Board of Finance holds public and departmental hearings.  |
| <u>By the second week of April.</u>  | The Board of Finance presents its recommended budget to the Representative Town Meeting. The budget is published in book form and in newspaper legal notices.                |
| <u>During the month of April.</u>    | The Representative Town Meeting holds departmental and public hearings.  |
| <u>The second Tuesday of May.</u>    | The Representative Town Meeting holds the annual budget meeting.   |
| <u>The second Thursday of May.</u>   | The Board of Finance sets the mill rate for the new budget.  |

All unencumbered appropriations lapse at year end, except those for the Capital Projects Fund and certain specific revenue funds. Appropriations for Capital Projects are continued until completion, even when projects extend beyond one or more fiscal years.

## **FINANCIAL STATEMENTS AND ACCOUNTING PROCEDURES**

Under Connecticut General Statutes, the Town maintains outside independent auditors. Since fiscal year 1996 Scully & Wolf, LLP has acted as outside auditor. The most recent annual audit report covers the fiscal year ended in June 30, 2003, which is included in this document and made a part hereof as Appendix A, together with the opinion thereon rendered by Scully & Wolf, LLP, Independent Certified Public Accountants.

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**COMPARATIVE GENERAL FUND OPERATING STATEMENT  
BUDGET AND ACTUAL  
(BUDGETARY BASIS)**

|  | Fiscal Year 2002-2003 |                     |  | Fiscal Year<br>2003-04<br>Adopted<br>Budget |
|--|-----------------------|---------------------|--|---|
|  | Amended<br>Budget     | Actual              | Variance<br>Favorable<br>(Unfavorable) |   |
| <b>REVENUES</b>  |                       |                     |  |   |
| Property Taxes   | \$58,955,362          | \$60,901,360        | \$1,945,998                            | \$61,952,012                                |
| Intergovernmental revenues   | 3,845,875             | 3,970,096           | 124,221                                | 3,725,496                                   |
| Investment revenues  | 496,690               | 430,024             | ( 66,666)                              | 283,375                                     |
| Licenses, permits and fees   | 2,581,220             | 3,408,367           | 827,147                                | 6,145,519                                   |
| Other  | <u>696,414</u>        | <u>1,341,189</u>    | <u>644,775</u>                         | <u>-0-</u>                                  |
| <b>TOTAL REVENUES</b>  | <u>66,575,561</u>     | <u>70,051,036</u>   | <u>3,475,475</u>                       | <u>\$72,106,402</u>                         |
| <b>EXPENDITURES</b>  |                       |                     |  |   |
| Current:   |                       |                     |  |   |
| General government   | 3,527,437             | 3,478,854           | 48,583                                 | \$ 3,388,628                                |
| Public safety  | 7,602,458             | 7,310,618           | 291,840                                | 7,747,783                                   |
| Public works   | 6,380,711             | 6,264,402           | 116,309                                | 6,739,744                                   |
| Recreation   | 853,077               | 817,004             | 36,073                                 | 866,072                                     |
| Libraries  | 901,305               | 896,181             | 5,124                                  | 967,970                                     |
| Health and welfare   | 1,305,694             | 1,267,215           | 38,479                                 | 1,343,798                                   |
| Education  | 35,473,268            | 35,435,528          | 37,740                                 | 36,843,127                                  |
| Pension and insurance  | 5,299,681             | 5,223,141           | 76,540                                 | 5,824,727                                   |
| Capital Projects   | 677,828               | 677,801             | 27                                     | 2,083,110                                   |
| Debt service   | <u>5,754,165</u>      | <u>5,752,705</u>    | <u>1,460</u>                           | <u>6,301,443</u>                            |
| <b>TOTAL EXPENDITURES</b>  | <u>67,775,624</u>     | <u>67,123,449</u>   | <u>652,175</u>                         | <u>\$72,106,402</u>                         |
| Excess (deficiency) of revenues over expenditures  | <u>( 1,200,063)</u>   | <u>2,927,587</u>    | <u>4,127,650</u>                       |   |
| Other Financing Sources (Uses):  |                       |                     |  |   |
| Operating transfers in   | -0-                   | 9,763               | 9,763                                  |   |
| Appropriation of fund balance  | -0-                   | -0-                 | -0-                                    |   |
| Operating transfers out  | <u>( 799,937)</u>     | <u>( 799,937)</u>   | <u>-0-</u>                             |   |
| Net Other Financing Sources (Uses)   | <u>( 799,937)</u>     | <u>( 790,174)</u>   | <u>\$ 9,763</u>                        |   |
| Excess (deficiency) of revenues and other<br>financing sources over expenditures and other<br>financing uses | <u>\$(2,000,000)</u>  | 2,137,413           |  |   |
| Fund Balance – July 1, 2002  |                       | <u>10,801,852</u>   |  |   |
| Fund Balance – June 30, 2003   |                       | <u>\$12,939,265</u> |  |   |

Source: Annual audited financial statements and annual budget.

# COMPARATIVE BALANCE SHEETS

## GENERAL FUND

FISCAL YEAR ENDED JUNE 30:

|  | <u>1999</u>                | <u>2000</u>                | <u>2001</u>                | <u>2002</u> (1)            | <u>2003</u> (1)            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                            |                            |                            |                            |                            |                            |
| Cash and cash equivalents                | \$ 9,915,910               | \$ 8,496,700               | \$19,616,890               | \$17,927,750               | \$17,397,099               |
| Taxes receivable                         | 2,593,482                  | 2,874,913                  | 3,853,191                  | 3,734,673                  | 2,708,194                  |
| Intergovernmental receivables            | 30,495                     | 28,634                     | 31,225                     | 9,145,729                  | 8,499,127                  |
| Due from other funds                     | 551,675                    | 759,748                    | 380,952                    | 300,053                    | 691,500                    |
| Other receivables                        | <u>680,427</u>             | <u>682,052</u>             | <u>593,244</u>             | <u>2,230,673</u>           | <u>2,741,182</u>           |
| <b>TOTAL ASSETS</b>                      | <u><b>\$13,771,989</b></u> | <u><b>\$12,842,047</b></u> | <u><b>\$24,475,502</b></u> | <u><b>\$33,338,878</b></u> | <u><b>\$32,037,102</b></u> |
| <b>LIABILITIES AND FUND EQUITY</b>       |                            |                            |                            |                            |                            |
| <b>LIABILITIES</b>                       |                            |                            |                            |                            |                            |
| Accounts payable and accrued liabilities | \$ 1,734,432               | \$ 1,410,993               | \$ 3,347,270               | \$ 2,594,734               | \$ 2,885,755               |
| Deferred revenue                         | 3,516,066                  | 809,696                    | 3,850,181                  | 14,863,582                 | 13,506,447                 |
| Due to other funds                       | 2,175,283                  | 3,058,495                  | 7,560,629                  | 3,875,062                  | 1,544,312                  |
| Other liabilities                        | <u>416,028</u>             | <u>472,462</u>             | <u>776,294</u>             | <u>828,767</u>             | <u>630,241</u>             |
| <b>TOTAL LIABILITIES</b>                 | <u><b>7,841,809</b></u>    | <u><b>5,751,646</b></u>    | <u><b>15,534,374</b></u>   | <u><b>22,162,145</b></u>   | <u><b>18,566,755</b></u>   |
| <b>FUND EQUITY</b>                       |                            |                            |                            |                            |                            |
| Reserved for encumbrances                | 363,654                    | 344,635                    | 495,336                    | 374,881                    | 531,082                    |
| Designated for subsequent expenditures   | 1,300,000                  | 1,000,000                  | 1,500,000                  | 2,000,000                  | 2,445,000                  |
| Unreserved and undesignated              | <u>4,266,526</u>           | <u>5,745,766</u>           | <u>6,945,792</u>           | <u>8,801,852</u>           | <u>10,494,265</u>          |
| <b>TOTAL FUND EQUITY</b>                 | <u><b>5,930,180</b></u>    | <u><b>7,090,401</b></u>    | <u><b>8,941,128</b></u>    | <u><b>11,176,733</b></u>   | <u><b>13,470,347</b></u>   |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <u><b>\$13,771,989</b></u> | <u><b>\$12,842,047</b></u> | <u><b>\$24,475,502</b></u> | <u><b>\$33,338,878</b></u> | <u><b>\$32,037,102</b></u> |

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation GASB Statement No. 34, the Town has classified assets and liabilities differently in fiscal year 2002-03 than in previous years. The comparisons purposes the Town has restated fiscal year 2001-02 results.

Source: Annual audited financial statements.



# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## GENERAL FUND

FISCAL YEARS ENDED JUNE 30:

| REVENUES   | 1999                | 2000                | 2001                | 2002                | 2003                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Property taxes   | \$46,316,527        | \$49,798,269        | \$52,770,259        | \$56,962,877        | \$60,901,360        |
| Intergovernmental revenue  | 6,951,517           | 6,088,978           | 6,007,277           | 5,783,023           | 5,390,976           |
| Licenses, permits and other departments  | 2,236,021           | 2,702,074           | 2,808,191           | 2,918,987           | 3,408,367           |
| Investment income  | 1,128,379           | 1,135,196           | 1,279,851           | 752,988             | 430,024             |
| Other revenues   | <u>797,741</u>      | <u>816,573</u>      | <u>855,206</u>      | <u>1,952,503</u>    | <u>1,341,189</u>    |
| <b>TOTAL REVENUES</b>  | <u>57,430,185</u>   | <u>60,541,090</u>   | <u>63,720,784</u>   | <u>68,370,378</u>   | <u>71,471,916</u>   |
| <b>EXPENDITURES</b>  |                     |                     |                     |                     |                     |
| General government   | 2,183,412           | 2,226,584           | 2,354,997           | 2,792,717           | 3,418,644           |
| Public safety  | 6,109,077           | 6,538,710           | 6,871,659           | 7,124,910           | 7,319,414           |
| Public works and highway   | 5,515,192           | 5,623,471           | 6,161,153           | 6,070,480           | 6,276,967           |
| Health and human services  | 1,011,094           | 1,080,678           | 1,133,298           | 1,239,551           | 1,250,873           |
| Parks, recreation and libraries  | 1,421,786           | 1,548,221           | 1,547,273           | 1,623,665           | 1,713,185           |
| Pension and insurance  | 3,523,916           | 3,623,309           | 3,785,291           | 4,468,505           | 5,223,141           |
| Education  | 31,033,711          | 32,368,673          | 33,431,229          | 35,155,560          | 36,856,408          |
| Capital outlay   | 788,572             | 828,973             | 572,444             | 1,210,185           | 576,791             |
| Debt service   | <u>5,458,522</u>    | <u>5,375,246</u>    | <u>4,636,045</u>    | <u>5,828,918</u>    | <u>5,752,705</u>    |
| <b>TOTAL EXPENDITURES</b>  | <u>57,045,282</u>   | <u>59,213,865</u>   | <u>60,493,389</u>   | <u>65,514,491</u>   | <u>68,388,128</u>   |
| Excess (deficiency) of revenues<br>over (expenditures)   | <u>384,903</u>      | <u>1,327,225</u>    | <u>3,227,395</u>    | <u>2,855,887</u>    | <u>3,083,788</u>    |
| <b>OTHER FINANCING SOURCES</b>   |                     |                     |                     |                     |                     |
| Operating transfers in   | 126,299             | 1,996               | 42,029              | -0-                 | 9,763               |
| Proceeds of refunding bonds  | -0-                 | -0-                 | 12,355,393          | -0-                 | -0-                 |
| Payment to refund bond escrow agent  | -0-                 | -0-                 | (12,355,393)        | -0-                 | -0-                 |
| Operating transfers out  | <u>( 514,541)</u>   | <u>( 169,000)</u>   | <u>( 1,418,697)</u> | <u>( 620,282)</u>   | <u>( 799,937)</u>   |
| Total other financing<br>sources (uses)  | <u>( 388,242)</u>   | <u>( 167,004)</u>   | <u>( 1,376,668)</u> | <u>( 620,282)</u>   | <u>( 790,174)</u>   |
| Excess (deficiency) of revenues and other<br>financing sources over expenditures<br>and other financing uses | <u>( 3,339)</u>     | <u>1,160,221</u>    | <u>1,850,727</u>    | <u>2,235,605</u>    | <u>2,293,614</u>    |
| Fund Balance (deficit), July 1   | <u>5,933,519</u>    | <u>5,930,180</u>    | <u>7,090,401</u>    | <u>8,941,128</u>    | <u>11,176,733</u>   |
| Fund Balance (deficit), June 30  | <u>\$ 5,930,180</u> | <u>\$ 7,090,401</u> | <u>\$ 8,941,128</u> | <u>\$11,176,733</u> | <u>\$13,470,347</u> |

Source: Annual audited financial statements.

**COMPARATIVE BALANCE SHEETS****CAPITAL PROJECTS FUND**

FISCAL YEARS ENDED JUNE 30:

|  | <u>1999</u>        | <u>2000</u>         | <u>2001</u>         | <u>2002</u>         | <u>2003</u> (1)    |
|--|--------------------|---------------------|---------------------|---------------------|--------------------|
| <b>ASSETS</b>                            |                    |                     |                     |                     |                    |
| Cash and Cash equivalents                | \$ 361,455         | \$ 199,668          | \$ 302,306          | \$ 486,129          | \$ 886,978         |
| Intergovernmental receivables            | 537,188            | 4,456               | 4,456               | 86,147              | 17,910             |
| Due from other funds                     | <u>2,319,455</u>   | <u>792,715</u>      | <u>7,310,363</u>    | <u>3,979,032</u>    | <u>822,836</u>     |
| <b>TOTAL ASSETS</b>                      | <u>\$3,218,098</u> | <u>\$ 996,839</u>   | <u>\$ 7,617,125</u> | <u>\$ 4,551,308</u> | <u>\$1,727,724</u> |
| <b>LIABILITIES AND FUND EQUITY</b>       |                    |                     |                     |                     |                    |
| <b>LIABILITIES</b>                       |                    |                     |                     |                     |                    |
| Accounts payable                         | \$2,487,893        | \$ 1,773,211        | \$ 2,098,380        | \$ 1,176,684        | \$ 317,668         |
| Due to other funds                       | 916,868            | 748,851             | 19,422              | 59,520              | 1,630              |
| Clean water notes payable                | --0-               | 1,426,624           | 12,134,148          | 18,389,521          | --0-               |
| Bonds and notes payable                  | <u>1,192,673</u>   | <u>4,020,000</u>    | <u>--0-</u>         | <u>--0-</u>         | <u>--0-</u>        |
| <b>TOTAL LIABILITIES</b>                 | <u>4,597,434</u>   | <u>7,968,686</u>    | <u>14,251,950</u>   | <u>19,625,725</u>   | <u>319,298</u>     |
| <b>FUND EQUITY</b>                       |                    |                     |                     |                     |                    |
| Reserved for encumbrances                | 2,791,272          | 21,005,822          | 8,124,132           | 3,631,296           | 109,025            |
| Designated                               | 583,186            | 615,341             | 1,966,672           | 1,902,075           |                    |
| Unreserved:                              |                    |                     |                     |                     |                    |
| Undesignated                             | <u>(4,753,794)</u> | <u>(28,593,010)</u> | <u>(16,725,629)</u> | <u>(20,607,788)</u> | <u>1,299,401</u>   |
| <b>TOTAL FUND EQUITY</b>                 | <u>(1,379,336)</u> | <u>( 6,971,847)</u> | <u>( 6,634,825)</u> | <u>(15,074,417)</u> | <u>1,408,426</u>   |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <u>\$3,218,098</u> | <u>\$ 996,839</u>   | <u>\$ 7,617,125</u> | <u>\$ 4,551,308</u> | <u>\$1,727,724</u> |

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation GASB Statement No. 34, the Town has classified assets and liabilities differently in fiscal year 2002-03 then in previous years.

Source: Annual audited financial statements.

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**CAPITAL PROJECTS FUND**

FISCAL YEARS ENDED JUNE 30:

|   | <u>1999</u>           | <u>2000</u>          | <u>2001</u>           | <u>2002</u>           | <u>2003</u>         |
|---|-----------------------|----------------------|-----------------------|-----------------------|---------------------|
| <b>REVENUES</b>   |                       |                      |                       |                       |                     |
| Intergovernmental revenues  | \$ 1,061,289          | \$ 303,408           | \$ 2,259,536          | \$ 1,239,490          | \$ 75,000           |
| Investment income   | 12,219                | 8,883                | 15,887                | 4,321                 | 4,534               |
| Miscellaneous revenues  | <u>371,501</u>        | <u>2,149</u>         | <u>150,097</u>        | <u>4,692</u>          | <u>7,876</u>        |
| <b>TOTAL REVENUES</b>   | <u>1,445,009</u>      | <u>314,440</u>       | <u>2,425,520</u>      | <u>1,248,503</u>      | <u>87,410</u>       |
| <b>EXPENDITURES</b>   |                       |                      |                       |                       |                     |
| Capital outlay  | 11,576,786            | 7,356,742            | 14,758,469            | 10,481,240            | 4,427,133           |
| Debt Service  | <u>-0-</u>            | <u>-0-</u>           | <u>-0-</u>            | <u>-0-</u>            | <u>737,048</u>      |
| <b>TOTAL EXPENDITURES</b>   | <u>11,576,786</u>     | <u>7,356,742</u>     | <u>14,758,469</u>     | <u>10,481,240</u>     | <u>5,164,181</u>    |
| Excess (deficiency) of revenues<br>over expenditures  | <u>(10,131,777)</u>   | <u>(7,042,302)</u>   | <u>(12,332,949)</u>   | <u>( 9,232,737)</u>   | <u>( 5,076,771)</u> |
| <b>OTHER FINANCING SOURCES:</b>   |                       |                      |                       |                       |                     |
| Proceeds of Notes and Bonds   | -0-                   | 1,270,151            | -0-                   | -0-                   | -0-                 |
| Operating transfers in  | 514,541               | 181,661              | 1,172,000             | 794,052               | 629,617             |
| Operating transfers (out)   | ( 21,299)             | ( 2,021)             | ( 42,029)             | ( 907)                | -0-                 |
| Loan Proceeds   | <u>-0-</u>            | <u>-0-</u>           | <u>11,540,000</u>     | <u>-0-</u>            | <u>20,929,997</u>   |
| Total other financing<br>sources (uses)   | <u>493,242</u>        | <u>1,449,791</u>     | <u>12,669,971</u>     | <u>793,145</u>        | <u>21,559,614</u>   |
| Excess of revenues and other<br>financing sources over expenditures<br>and other financing uses | ( 9,638,535)          | (5,592,511)          | 337,022               | ( 8,439,592)          | 16,482,843          |
| Fund Balance - Beginning of Year  | <u>8,259,199</u>      | <u>(1,379,336)</u>   | <u>( 6,971,847)</u>   | <u>( 6,634,825)</u>   | <u>(15,074,417)</u> |
| Fund Balance - End of Year  | <u>\$( 1,379,336)</u> | <u>\$(6,971,847)</u> | <u>\$( 6,634,825)</u> | <u>\$(15,074,417)</u> | <u>\$ 1,408,426</u> |

Source: Annual audited financial statements.

# COMPARATIVE BALANCE SHEETS

## SPECIAL REVENUE FUND

FISCAL YEARS ENDED JUNE 30:

|  | <u>1999</u>        | <u>2000</u>        | <u>2001</u>        | <u>2002</u>        | <u>2003</u> (1)    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>ASSETS</b>                            |                    |                    |                    |                    |                    |
| Cash and cash equivalents                | \$1,684,272        | \$2,039,480        | \$1,757,357        | \$2,281,780        | \$ 504,738         |
| Receivables (net)                        | -0-                | -0-                | -0-                | -0-                | 2,338,389          |
| Taxes and assessments receivables        | 4,189,736          | 3,784,109          | 3,282,626          | 2,725,695          | -0-                |
| Intergovernmental receivables            | 59,090             | 137,183            | 104,127            | 39,637             | -0-                |
| Due from other funds                     | 574,560            | 22,538             | 262,529            | 36,091             | -0-                |
| Inventory                                | 10,146             | 11,098             | 5,230              | 8,794              | -0-                |
| Other receivables                        | <u>48,541</u>      | <u>3,153</u>       | <u>55,896</u>      | <u>45,910</u>      | <u>-0-</u>         |
| <b>TOTAL ASSETS</b>                      | <u>\$6,566,345</u> | <u>\$5,997,561</u> | <u>\$5,467,765</u> | <u>\$5,137,907</u> | <u>\$2,843,127</u> |
| <b>LIABILITIES AND FUND EQUITY</b>       |                    |                    |                    |                    |                    |
| <b>LIABILITIES</b>                       |                    |                    |                    |                    |                    |
| Accounts payable                         | \$ 349,758         | \$ 663,942         | \$ 348,215         | \$ 488,166         | \$ 1,894           |
| Deferred revenue                         | 4,236,854          | 3,837,773          | 3,282,904          | 2,734,790          | 2,338,389          |
| Due to other funds                       | <u>353,539</u>     | <u>9,438</u>       | <u>362,676</u>     | <u>241,557</u>     | <u>281,190</u>     |
| <b>TOTAL LIABILITIES</b>                 | <u>4,940,151</u>   | <u>4,511,153</u>   | <u>3,993,795</u>   | <u>3,464,513</u>   | <u>2,621,473</u>   |
| <b>FUND EQUITY</b>                       |                    |                    |                    |                    |                    |
| Reserved for inventory                   | 10,146             | 11,098             | 5,230              | 8,794              | -0-                |
| Unreserved:                              |                    |                    |                    |                    |                    |
| Designated                               | -0-                | -0-                | -0-                | 81,228             | -0-                |
| Undesignated                             | <u>1,616,048</u>   | <u>1,475,310</u>   | <u>1,468,740</u>   | <u>1,583,372</u>   | <u>221,654</u>     |
| <b>TOTAL FUND EQUITY</b>                 | <u>1,626,194</u>   | <u>1,486,408</u>   | <u>1,473,970</u>   | <u>1,673,394</u>   | <u>221,654</u>     |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <u>\$6,566,345</u> | <u>\$5,997,561</u> | <u>\$5,467,765</u> | <u>\$5,137,907</u> | <u>\$2,843,127</u> |

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of this new accounting standard, the Town has designated the Sewer Assessment fund as major governmental fund; all other Special Revenue and Permanent funds are reported as nonmajor governmental funds. Also, with implementation GASB Statement No. 34, the Town has classified assets and liabilities differently in fiscal year 2002-03 than in previous years.

Source: Annual audited financial statements.

# STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## SPECIAL REVENUE FUND

FISCAL YEARS ENDED JUNE 30:

| REVENUES  | 1999               | 2000               | 2001               | 2002               | 2003 <sup>(1)</sup> |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|
| Assessments   | \$1,307,350        | \$ 962,154         | \$ 939,290         | \$1,069,443        | \$ 879,284          |
| Intergovernmental revenue   | 2,120,986          | 2,778,254          | 2,335,855          | 3,218,265          | -0-                 |
| Sale and services   | 1,318,289          | 1,359,641          | 1,327,960          | 1,734,712          | -0-                 |
| Investment income   | 62,672             | 55,778             | 85,252             | 32,729             | 2,992               |
| Miscellaneous Revenue   | <u>560,673</u>     | <u>466,541</u>     | <u>628,249</u>     | <u>445,429</u>     | <u>491</u>          |
| <b>TOTAL REVENUES</b>   | <u>5,369,970</u>   | <u>5,622,368</u>   | <u>5,316,606</u>   | <u>6,500,578</u>   | <u>882,767</u>      |
| <b>EXPENDITURES</b>   |                    |                    |                    |                    |                     |
| Current:  |                    |                    |                    |                    |                     |
| General government  | -0-                | 15,000             | 33,063             | 488,749            | -0-                 |
| Public safety   | 68,518             | 119,565            | 191,899            | 201,632            | -0-                 |
| Public works and highway  | 271,185            | 675,979            | 295,709            | 431,741            | 14,150              |
| Parks, recreation and libraries   | 87,981             | 237,903            | 254,117            | 474,597            | -0-                 |
| Health and human services   | 934,656            | 996,111            | 1,165,948          | 584,949            | -0-                 |
| Education   | 2,232,741          | 2,596,675          | 2,662,058          | 3,405,857          | -0-                 |
| Debt service  | <u>1,212,049</u>   | <u>1,120,921</u>   | <u>972,947</u>     | <u>924,485</u>     | <u>828,196</u>      |
| <b>TOTAL EXPENDITURES</b>   | <u>4,807,130</u>   | <u>5,762,154</u>   | <u>5,575,741</u>   | <u>6,512,010</u>   | <u>842,346</u>      |
| Excess (deficiency) of revenues<br>over expenditures  | <u>562,840</u>     | <u>( 139,786)</u>  | <u>( 259,135)</u>  | <u>( 11,432)</u>   | <u>40,421</u>       |
| <b>OTHER FINANCING SOURCES:</b>   |                    |                    |                    |                    |                     |
| Operating transfer in   | -0-                | -0-                | 246,697            | 215,300            | -0-                 |
| Operating transfers (out)   | <u>( 105,000)</u>  | <u>-0-</u>         | <u>-0-</u>         | <u>( 4,444)</u>    | <u>-0-</u>          |
| Net other financial<br>sources (uses)   | <u>( 105,000)</u>  | <u>-0-</u>         | <u>246,697</u>     | <u>210,856</u>     | <u>-0-</u>          |
| Excess of revenues and other<br>financing sources over expenditures<br>and other financing uses | 457,840            | ( 139,786)         | ( 12,438)          | 199,424            | 40,421              |
| <br>Fund Balance - Beginning of Year  | <u>1,168,354</u>   | <u>1,626,194</u>   | <u>1,486,408</u>   | <u>1,473,970</u>   | <u>181,233</u>      |
| <br>Fund Balance - End of Year  | <u>\$1,626,194</u> | <u>\$1,486,408</u> | <u>\$1,473,970</u> | <u>\$1,673,394</u> | <u>\$ 221,654</u>   |

(1) As of June 30, 2003, the Town implemented GASB Statement No. 34. With the implementation of this new accounting standard, the Town has designated the Sewer Assessment fund as major governmental fund; all other Special Revenue and Permanent funds are reported as nonmajor governmental funds. Also, with implementation GASB Statement No. 34, the Town has classified revenues and expenditures differently in fiscal year 2002-03 than in previous years.

Source: Annual audited financial statements.

## EMPLOYEE COLLECTIVE BARGAINING

As of the date of this Official Statement, the Town employed 704 persons. The following is a breakdown of employee representation by collective bargaining agent and the dates of expiration of the various collective bargaining agreements:

| <u>Employees</u>                 | <u>Organization</u>                                     | <u>Number Of<br/>Employees</u> | <u>Contract<br/>Expiration Date</u> |
|----------------------------------|---|--------------------------------|-------------------------------------|
| <b><u>General Government</u></b> |   |                                |                                     |
| Dispatchers                      | National Association of Government Employees            | 11                             | 6/30/05                             |
| Municipal                        | AFSCME, AFL-CIO, Council # 4, Local #1303-90            | 22                             | 6/30/03 (1)                         |
| Police Department                | IBPO, Local # 459                                       | 47                             | 6/30/08                             |
| Fire Department                  | International Association of Firefighters, Local # 2533 | 28                             | 6/30/03 (1)                         |
| Recreation                       | AFSCME, AFL-CIO Council # 4, Local # 1303-83,           | 5                              | 6/30/07                             |
| Public Works                     | AFSCME, AFL-CIO Council # 4, Local # 1303-68,           | 19                             | 6/30/07                             |
| Treatment plant                  | CILU  | <u>9</u>                       | 6/30/04                             |
|                                  | Total Organized   | 141                            |                                     |
|                                  | Non-Unionized   | <u>58</u>                      |                                     |
|                                  | Sub-total General Government                            | <u>199</u>                     |                                     |
| <b><u>Board of Education</u></b> |   |                                |                                     |
| Administrators                   | Branford Administrators Organization                    | 14                             | 6/30/06                             |
| Certified                        | Branford Education Association                          | 296                            | 6/30/06                             |
| Nurses                           | AFSCME AFL-CIO # 4 Local 1303-365                       | 11                             | 6/30/07                             |
| Custodians                       | AFSCME AFL-CIO # 4 Local 1303                           | <u>33</u>                      | 6/30/07                             |
| Teachers                         |   |                                |                                     |
|                                  | Total Organized   | 354                            |                                     |
|                                  | Non-Unionized   | <u>151</u>                     |                                     |
|                                  | Sub-total Board of Education                            | <u>505</u>                     |                                     |
| Total Town Employees             |   | <u>704</u>                     |                                     |

(1) In negotiations.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either of the parties. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

## **EMPLOYEE PENSION SYSTEMS**

Town full-time employees, with the exception of the Police Department employees, Volunteer Firemen and certified teachers and administrators, participate in the State of Connecticut Municipal Employees Retirement Fund (MERF), a multiple-employer public employee retirement system. Certified teachers and administrators are members of the State of Connecticut Teachers Retirement Board. The Police and Volunteer Firemen's Retirement Plans are single-employer, contributory, defined benefit, public employee retirement systems (PERS) established and administered by the Town. For further details on the Plans, see Appendix A, Page A-37, Notes to the Financial Statements.

## **LEGAL REQUIREMENTS FOR APPROVAL OF BORROWING**

Under Sections 2, 7 and 11 of the Town Charter, bond authorizations are accomplished through the passage of an appropriation and bonding authorization by the Representative Town Meeting (RTM). An appropriation, introduced by the requesting authority, is first introduced to the Board of Finance. The Board of Finance must approve the authorization and recommend the proposal to the RTM. The RTM, after appropriate public notice, votes to approve or disapprove the proposal and appropriate the required funds and authorize the issuance of bonds or notes to meet the appropriation. Such RTM action is subject to referendum approval if a sufficient petition is filed within 15 days of the RTM's adjournment.

## **INVESTMENT POLICY AND PRACTICES**

Under Connecticut General Statutes Section 7-400, 7-401 and 7-402, the Town may invest in (a) obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal National Mortgage Association, the Federal Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all federal land banks, the Tennessee Valley Authority, or any other agency of the United States government (b) money market and mutual funds investing in such obligations or repurchase agreements fully collateralized by such obligations and (c) certain state and municipal bonds and notes, and may make deposits with certain "qualified public depositories".

The Town's investment practices have been to invest in certificates of deposit, short-term repurchase agreements, demand accounts and the State of Connecticut Short Term Investment Fund (STIF). The Town does not invest in derivative investment products.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Financial Security Assurance Inc.**

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2003 Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,104,257,000 and its total unearned premium reserve was approximately \$1,356,385,000 in accordance with statutory accounting practices. At December 31, 2003, Financial Security's total shareholders' equity was approximately \$2,307,646,000 and its total net unearned premium reserve was approximately \$1,166,562,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials described above will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Town the information presented under this section "Bond Insurance" and Appendix D for inclusion in the Official Statement.

### **BOND RATINGS**

Moody's Investors Service ("Moody's") and Standard and Poor's Corporation ("S&P") have assigned "Aaa" and "AAA" ratings, respectively, to the Bonds, with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy will be issued. (See "Bond Insurance and Appendix D" herein). The Town's current underlying bond rating by Moody's has recently been reaffirmed as "Aa3". The Town's current underlying bond rating by S&P has been upgraded to "AA+" from "AA". Such ratings reflect only the views of such rating agencies and any explanation of the significance of such ratings may be obtained from Moody's and S&P at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard and Poor's Corporation: 55 Water Street, New York, New York 10041. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Town's bonds and notes, including the Bonds.

### **LITIGATION**

The Town of Branford, its officers, employees, boards and commissions are defendants in various lawsuits. Following consultation with the Town Attorney and other attorneys advising the Town, Town officials are of the opinion that all pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town which would materially adversely affect its financial position.

### **UNDERWRITING**

The Bonds are being purchased by Roosevelt & Cross, Incorporated and Wachovia Bank, National Association (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Town at the net aggregate purchase price of \$7,816,549.80 (consisting of the principal amount of \$7,860,000.00, less original issue discount of \$691.80, less underwriter's discount of \$42,758.40). The Underwriters will be obligated to purchase all such Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

### **FINANCIAL ADVISOR**

The Town has retained Independent Bond and Investment Consultants LLC of Madison, Connecticut, as financial advisor in connection with the issuance and sale of the Bonds. Although Independent Bond and Investment Consultants LLC has assisted in the preparation of the Official Statement, Independent Bond and Investment Consultants LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Independent Bond and Investment Consultants LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.



## **DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS**

Upon delivery of the Bonds, the Underwriters will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town, signed by the Selectmen, or a majority of them, and Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify to the best of said officials' knowledge and belief, that at the time the Bond Purchase Agreement for the Bonds was signed and as of the closing date, the descriptions and statements in the Official Statement relating to the Town of Branford and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement; and
3. The approving opinion of Day, Berry & Howard LLP, of Hartford, Connecticut.
4. An executed Continuing Disclosure Agreement for the Bonds in substantially the form of Appendix C hereto.
5. A receipt for the purchase price of the Bonds.
6. Within seven business days of the execution of the Bond Purchase Agreement, the Town will furnish the underwriter a reasonable number of copies of the Official Statement, as prepared by the Town.
7. Any other documents required by the Bond Purchase Agreement.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at U.S. Bank National Association, Hartford, Connecticut and will be available for examination upon reasonable request.

## **AVAILABILITY OF CONTINUING DISCLOSURE INFORMATION**

The Town of Branford prepares, in accordance with State law, annual audited financial statements and is generally required to file such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. The Town also provides, and expects to continue to provide to Moody's Investors Service and Standard & Poor's Corporation ongoing disclosure in the form of the Annual Audited Report and the Adopted Budgets, and other materials relating to its management and financial condition as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds. The Underwriter's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). To date the Town has not failed to meet any of its undertakings under such agreements, except for inadvertent failures to make a timely provision to the nationally recognized municipal securities information repositories (the "NRMSIRs") by February 28, 2002 of certain annual financial information and operating data for its fiscal year ending June 30, 2001, and to make a timely filing of a material event notice with respect to such late filing of annual financial information and operating data for its fiscal year ending June 30, 2001. The failure to make a timely provision of such information was promptly remedied upon discovery, and such information was submitted to the NRMSIRs on March 6, 2002, and a material event notice with respect to such material events was filed with the NRMSIRs on April 5, 2004.

## ADDITIONAL INFORMATION

Additional information may be obtained upon request from the Office of the First Selectman (203) 488-8394, Extension 120 or from Independent Bond and Investment Consultants LLC at (203) 245-8715.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be constructed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds.

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or part for any other purpose.

Independent Bond and Investment Consultants LLC, the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from information supplied by Town officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

## TOWN OF BRANFORD, CONNECTICUT

By: /s/ John E. Opie  
**John E. Opie**  
*First Selectman*

By: /s/ Judith Myjak  
**Judith Myjak**  
*Selectman*

By: /s/ Frank J. Kinney, III  
**Frank J. Kinney, III**  
*Selectman*

By: /s/ Robert B. Denhardt, Jr.  
**Robert B. Denhardt, Jr.**  
*Treasurer*

**Dated: April 14, 2004**

## APPENDIX A - FINANCIAL STATEMENTS

### TOWN OF BRANFORD, CONNECTICUT

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**Appendix A - Financial Statements** - is taken from the Annual Financial Report of the Town of Branford for the Fiscal Year ending June 30, 2003 as presented by the Auditors and does not include all of the schedules or management letter made in such report. A copy of the complete report is available upon request to the Director of Finance, Town of Branford, Connecticut.



*Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033*

## INDEPENDENT AUDITORS' REPORT

Board of Finance  
Town of Branford  
Branford, Connecticut

Dear Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Branford, Connecticut, as of and for the year ended June 30, 2003, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Branford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Branford, Connecticut, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on pages A-2 through A-9 and A-41 through A-46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 1 to the basic financial statements, the Town has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, effective July 1, 2002.

SCULLY & WOLF, LLP

November 3, 2003

## **TOWN OF BRANFORD, CONNECTICUT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS** **FOR THE YEAR ENDED JUNE 30, 2003**

This discussion and analysis of the Town of Branford, Connecticut's ("Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2003. This is the first year of reporting in accordance with Statement No. 34 of the Governmental Accounting Standards Board. Certain prior year activity is not available to provide comparative information. Future management's discussion and analysis (MD&A) will be presented on a comparative basis. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX. All amounts in this MD&A are expressed in thousands unless otherwise noted.

#### **FINANCIAL HIGHLIGHTS**

- Net assets of our governmental activities increased by \$4,015, or 7.1 percent.
- During the year, the Town had expenses that were \$4,015 less than the \$76,342 generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$72,327 with no new programs added this year.
- The General Fund reported a fund balance this year of \$13,470.
- The resources available for appropriation were \$3,485 more than budgeted for the General Fund. Expenditures were kept within spending limits.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibit III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

#### ***Government-Wide Financial Statements***

The analysis of the Town as a whole begins on Exhibit I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net asset, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net assets and the statement of activities, the Town reports its activities:

- *Governmental activities* – The Town's basic services are reported here, including education, public safety, public works and highway, parks, recreation and libraries, health and human services, pension and insurance, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

### ***Fund Financial Statements***

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by Charter. However, the Town establishes many other funds to help control and manage financial activities for particular purposes (like the Sewer Assessment Fund) or to show that it is meeting legal responsibilities for using grants, and other money (like grants received from the State of Connecticut). The Town's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibit III and IV)* – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibit V, VI, and VII)* – When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Internal service funds (a component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities – such as the Town's Workers' Compensation Fund and Heart and Hypertension Fund.
- *Fiduciary funds (Exhibit VIII and IX)* – The Town is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net assets increased from a year ago increasing from \$56,023 to \$60,038. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**Table 1**  
*Net Assets*

|  | <b>Governmental<br/>Activities<br/><u>2003</u></b> |
|--|--|
| Current and other assets .....               | \$ 38,856  |
| Capital assets.....                          | <u>93,785</u>                                      |
| Total assets .....                           | <u>132,641</u>                                     |
| Long-term debt outstanding .....             | 66,732   |
| Other liabilities.....                       | <u>5,871</u>                                       |
| Total liabilities.....                       | <u>72,603</u>                                      |
| Net assets:                                  |  |
| Invested in capital assets, net of debt..... | 33,771   |
| Restricted .....                             | 217  |
| Unrestricted (deficit).....                  | <u>26,050</u>                                      |
| Total net assets .....                       | <u>\$ 60,038</u>                                   |

Branford experienced an increase in net assets of its governmental activities of 7.1 percent as compared to the prior year. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$27,394 at June 30, 2002 to \$26,050 at the end of this year.

This change in unrestricted governmental net assets was primarily due to the investment in capital assets. The net assets invested in capital assets, net of debt increased from \$28,406 to \$33,771. This was the result of significant capital asset acquisition during the year.

**Table 2**  
***Changes In Net Assets***

|  | <b>Governmental<br/>Activities<br/><u>2003</u></b> |
|--|--|
| Revenues:  |  |
| Program revenues:  |  |
| Charges for services.....  | \$ 6,425   |
| Operating grants and contributions.....                            | 6,833  |
| Capital grants and contributions .....                             | 524  |
| General revenues:  |  |
| Property taxes .....   | 60,216   |
| Grants and contributions not restricted to specific purposes ..... | 1,819  |
| Unrestricted investment earnings.....                              | 465  |
| Other general revenues .....                                       | <u>60</u>  |
| Total revenues .....   | <u>76,342</u>                                      |
| Program expenses:  |  |
| General government .....   | 3,948  |
| Public safety .....  | 7,767  |
| Public works and highway.....                                      | 7,318  |
| Parks, recreation and libraries .....                              | 2,051  |
| Health and human services .....                                    | 1,867  |
| Education.....   | 41,253   |
| Pension and insurance .....  | 5,205  |
| Interest and debt service .....                                    | <u>2,918</u>                                       |
| Total program expenses.....  | <u>72,327</u>                                      |
| Increase in net assets.....  | <u>\$ 4,015</u>                                    |

The Town's total revenues were \$76,342. The total cost of all programs and services was \$72,327. Our analysis which follows considers the operations of governmental activities.



### ***Governmental Activities***

The General Fund contributed significantly to the Town's overall increase in net assets. Total revenues were \$3,485 higher than budgeted. Of this amount \$1,945 resulted from strong property tax collections which includes prior year levies, interest and penalties. Taxes on the current levy exceeded the budget by \$817 as the Town experienced one of its highest collection rates. Charges for services produced revenues that exceeded the budget by \$827. The increase was fueled by an increase in the number of deeds recorded coupled with the increase in real estate conveyance fees that went into effect in March 2003. Increased activity related to the disposal of contaminated soil, septage and building permit activity resulted in additional increases to this category.

Expenditures were \$652 less than anticipated due to vacancies in various departments that produced savings in direct wages and pension costs. Other areas of the budget in that were below budgeted estimates include sanitation and waste, contingency, and education.

Table 3 presents the cost of each of the Town's five largest programs – police, fire, public works, education, and parks and recreation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Table 3**  
***Governmental Activities***

|                                | <u><b>Total Cost of Services</b></u><br><u><b>2003</b></u> | <u><b>Net Cost of Services</b></u><br><u><b>2003</b></u> |
|--------------------------------|--|--|
| General government.....        | \$3,948  | \$2,249  |
| Public safety.....             | \$7,767  | \$6,503  |
| Public works and highway ..... | \$7,318  | \$5,177  |
| Education .....                | \$41,253   | \$35,414   |
| Pension and insurance.....     | \$5,205  | \$5,108  |

### **TOWN FUNDS FINANCIAL ANALYSIS**

#### ***Governmental Funds***

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$17,071, which is an increase from last year's total of (\$1,775). Included in this year's total change in fund balance, is an increase of \$2,294 in the Town's General Fund. The primary reasons for the General Fund's increase are reflected in the governmental activities analysis highlighted above. The Town permanently financed \$20,930 of Clean Water Fund Project Loan Obligations issued to fund improvements at the wastewater treatment plant which caused the Capital Projects Fund fund balance to increase by \$16,483.

### ***General Fund Budgetary Highlights***

The Town's general fund budget remained essentially unchanged. Actual final expenditures plus encumbrances totaled \$67,923. Unexpended appropriations in public safety, public works, and pension and insurance coupled with smaller unexpended balances from other areas produced a favorable variance of \$652. Despite the overall positive experience with regard to expenditures the Town was required to allocate considerable resources to the legal budget. These transfers were required to cover the costs of reaching a settlement with an employee, as well as tax appeals and other legal disputes between developers and contractors. Revenues totaled \$70,061 and as stated earlier this amount reflects strong tax collections and charges for services.

The Town's General Fund balance of \$13,470 reported on Exhibit III differs from the General Fund's budgetary fund balance of \$12,939. This is principally because budgetary fund balance does not include \$531 of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At June 30, 2003, the Town had \$93,785 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment – Table 4. This amount represents a net increase (including additions and deductions) of \$3,466, or 3.7 percent, over last year.

**Table 4**  
***Capital Assets at Year-end (Net of Depreciation)***

|                                | <b>Governmental<br/>Activities</b> |                    |
|--------------------------------|------------------------------------|--------------------|
|                                | <b><u>2003</u></b>                 | <b><u>2002</u></b> |
| Land .....                     | \$ 5,812                           | \$ 5,812           |
| Land improvements .....        | 244                                | 271                |
| Buildings .....                | 51,374                             | 24,648             |
| Machinery and equipment.....   | 8,010                              | 3,232              |
| Construction in progress ..... | <u>28,345</u>                      | <u>56,356</u>      |
| Totals .....                   | <u>\$93,785</u>                    | <u>\$90,319</u>    |

The Town has not implemented the provisions of the GASB Statement #34 which require the reporting of infrastructure assets acquired prior to July 1, 2002. Infrastructure reporting will begin by the transitional due date.

This year's major additions included over \$4 million in equipment purchases at the Wastewater Treatment Plant.

The Town's fiscal-year 2003-04 budget as adopted does not contemplate any major additions to capital assets. However, it is anticipated that the Town will authorize bonds during the 2003-04 fiscal year for various sanitary and pump station improvements. In addition, the wastewater treatment plant expenditures will move from the construction in progress category to the building category. More detailed information about the Town's capital assets is presented in Note 1 to the financial statements.

### ***Long-term debt***

At June 30, 2003 the Town had \$60,014 in bonds and notes outstanding versus \$43,524 last year – an increase of \$16,490 or 37 percent.

New debt resulted mainly from the permanent financing of \$20,930 of Clean Water Fund Project Loan Obligations. This debt will be repaid monthly with an interest rate of 2 percent per year and will be fully retired on September 30, 2022.

The Town's general obligation bond rating continues to carry the Aa3, a rating that has been assigned by Moody's a national rating agency since 2001. The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this state-imposed limit of \$433,548.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town's elected and appointed officials considered many factors when adopting the fiscal-year 2003-2004 budget and corresponding tax rates. The Branford economy compared favorably to the State and the region as measured by an unemployment rate of 3.3 percent. Town officials confronted a number of unique and vexing challenges while formulating the budget including, but not limited, to the uncertainty with regard to State assistance and its detrimental trickle down effect on municipalities; and the revaluation. The revaluation produced dramatic shifts in property values both within and among property classes. Faced with these challenges, Town officials felt compelled to constrain the increase in the Town's tax requirements. In developing the budget the Town established the following budget guidelines that provided the rational underpinnings for many of the budgetary decisions: maintain the current level of existing services while refraining from adding new programs; fund current and future liabilities; preserve the undesignated fund balance; continue to invest in new vehicles and equipment to ensure continued service delivery; preserve the Town's investment in its properties and buildings; and to continue to fund many capital items on a pay-as-you-go basis so as to limit the amount of outstanding debt.

As a result of these efforts and adherence to the above guidelines, Branford adopted a General Fund budget of \$72,106 for 2003-2004 which represents an increase of \$3,531 or 5.15 percent. Increased property taxes (benefiting from the 2003 rate increases and increases in assessed valuations) of \$2,996 will offset a large portion of this amount coupled with an increase in appropriated fund balance of \$445 and growth in other non tax sources.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Branford, 1019 Main Street, Branford, Connecticut 06405.

TOWN OF BRANFORD, CONNECTICUTSTATEMENT OF NET ASSETS  
JUNE 30, 2003

|  | GOVERNMENTAL<br>ACTIVITIES |
|--|----------------------------|
| ASSETS:  |                            |
| Cash and cash equivalents.....                       | \$ 21,257,026              |
| Investments.....                                     | 160,294                    |
| Receivables, net.....                                | 17,357,796                 |
| Inventory.....                                       | 7,161                      |
| Prepaid items.....                                   | 73,314                     |
| Capital assets, net.....                             | <u>93,785,414</u>          |
| Total assets.....                                    | <u>132,641,005</u>         |
| LIABILITIES:   |                            |
| Accounts and other payables.....                     | 4,473,142                  |
| Due to Agency Funds.....                             | 11,640                     |
| Deferred revenue.....                                | 1,385,840                  |
| Noncurrent liabilities:                              |                            |
| Due within one year .....                            | 4,862,440                  |
| Due in more than one year .....                      | <u>61,869,671</u>          |
| Total liabilities.....                               | <u>72,602,733</u>          |
| NET ASSETS:  |                            |
| Invested in capital assets, net of related debt..... | 33,771,423                 |
| Restricted for Trusts:                               |                            |
| Expendable .....                                     | 111,745                    |
| Nonexpendable .....                                  | 105,074                    |
| Unrestricted.....                                    | <u>26,050,030</u>          |
| Total net assets .....                               | <u>\$ 60,038,272</u>       |

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTSTATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003

| FUNCTIONS/PROGRAMS   | EXPENSES            | CHARGES FOR<br>SERVICES | PROGRAM REVENUES                         |  | NET (EXPENSE)<br>REVENUE AND<br>CHANGES IN<br>..NET ASSETS.. |
|--|---------------------|-------------------------|--|--|--|
|  |                     |                         | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS AND<br>CONTRIBUTIONS |  |
| Governmental activities:   |                     |                         |  |  |  |
| General government .....   | \$ 3,947,973        | \$1,677,051             | \$ 22,037                                |  | \$ (2,248,885)   |
| Public safety .....  | 7,766,772           | 1,046,085               | 175,077                                  | \$ 42,491                              | (6,503,119)  |
| Public works and highway .....                                     | 7,317,513           | 1,440,694               | 247,583                                  | 451,856                                | (5,177,380)  |
| Parks, recreation and libraries .....                              | 2,051,286           | 168,551                 | 75,000                                   | 13,819                                 | (1,793,916)  |
| Health and human services .....                                    | 1,866,553           | 486,445                 | 902,893                                  | 15,816                                 | (461,399)  |
| Education .....  | 41,253,025          | 1,508,594               | 4,330,283                                |  | (35,414,148)   |
| Pension and insurance .....  | 5,205,494           | 97,168                  |  |  | (5,108,326)  |
| Interest and debt service .....                                    | 2,918,265           |                         | 1,080,363                                |  | (1,837,902)  |
| Total governmental activities .....                                | <u>\$72,326,881</u> | <u>\$6,424,588</u>      | <u>\$6,833,236</u>                       | <u>\$523,982</u>                       | <u>(58,545,075)</u>  |
| General revenues:  |                     |                         |  |  |  |
| Property taxes .....   |                     |                         |  |  | 60,216,203   |
| Grants and contributions not restricted to specific programs ..... |                     |                         |  |  | 1,818,518  |
| Unrestricted investment earnings .....                             |                     |                         |  |  | 465,308  |
| Miscellaneous .....  |                     |                         |  |  | <u>59,847</u>  |
| Total general revenues .....                                       |                     |                         |  |  | <u>62,559,876</u>  |
| Change in net assets .....   |                     |                         |  |  | 4,014,801  |
| Net assets, July 1, 2002 .....                                     |                     |                         |  |  | <u>56,023,471</u>  |
| Net assets, June 30, 2003 .....                                    |                     |                         |  |  | <u>\$ 60,038,272</u>   |

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTGOVERNMENTAL FUNDSBALANCE SHEET  
JUNE 30, 2003

|   | GENERAL             | CAPITAL<br>PROJECTS | SEWER<br>ASSESSMENT | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|
| <u>A S S E T S</u>  |                     |                     |                     |                                |                                |
| Cash and cash equivalents.....  | \$17,397,099        | \$ 886,978          | \$ 504,738          | \$1,915,237                    | \$20,704,052                   |
| Investments.....  |                     |                     |                     | 160,294                        | 160,294                        |
| Receivables (Net).....  | 13,875,189          | 17,910              | 2,338,389           | 1,126,308                      | 17,357,796                     |
| Due from other funds.....   | 691,500             | 822,836             |                     | 599,827                        | 2,114,163                      |
| Inventories.....  |                     |                     |                     | 7,161                          | 7,161                          |
| Prepaid items.....  | 73,314              |                     |                     |                                | 73,314                         |
| TOTAL.....  | <u>\$32,037,102</u> | <u>\$1,727,724</u>  | <u>\$2,843,127</u>  | <u>\$3,808,827</u>             | <u>\$40,416,780</u>            |
| <u>L I A B I L I T I E S<br/>A N D<br/>F U N D B A L A N C E S</u>  |                     |                     |                     |                                |                                |
| Liabilities:  |                     |                     |                     |                                |                                |
| Accounts and other payables.....  | \$ 3,515,996        | \$ 317,668          | \$ 1,894            | \$ 359,098                     | \$ 4,194,656                   |
| Due to other funds.....   | 1,544,312           | 1,630               | 281,190             | 463,671                        | 2,290,803                      |
| Deferred revenue.....   | 13,506,447          |                     | 2,338,389           | 1,015,828                      | 16,860,664                     |
| Total liabilities.....  | <u>18,566,755</u>   | <u>319,298</u>      | <u>2,621,473</u>    | <u>1,838,597</u>               | <u>23,346,123</u>              |
| Fund balances:  |                     |                     |                     |                                |                                |
| Reserved.....   | 531,082             | 109,025             |                     | 187,435                        | 827,542                        |
| Unreserved, reported in:  |                     |                     |                     |                                |                                |
| General Fund.....   | 12,939,265          |                     |                     |                                | 12,939,265                     |
| Special Revenue Funds.....  |                     |                     | 221,654             | 1,671,050                      | 1,892,704                      |
| Capital Project Fund.....   |                     | 1,299,401           |                     |                                | 1,299,401                      |
| Permanent Funds.....  |                     |                     |                     | 111,745                        | 111,745                        |
| Total fund balances.....  | <u>13,470,347</u>   | <u>1,408,426</u>    | <u>221,654</u>      | <u>1,970,230</u>               | <u>17,070,657</u>              |
| TOTAL.....  | <u>\$32,037,102</u> | <u>\$1,727,724</u>  | <u>\$2,843,127</u>  | <u>\$3,808,827</u>             |                                |
| Amounts reported for governmental activities in the statement of net assets are different because:  |                     |                     |                     |                                |                                |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....   |                     |                     |                     |                                | 93,785,414                     |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....  |                     |                     |                     |                                | 15,474,824                     |
| Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets..... |                     |                     |                     |                                | (154,271)                      |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.....  |                     |                     |                     |                                | (66,138,352)                   |
| Net assets of governmental activities.....  |                     |                     |                     |                                | <u>\$ 60,038,272</u>           |

The accompanying notes are an integral part of these financial statements.

## TOWN OF BRANFORD, CONNECTICUT

## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2003

|   | GENERAL             | CAPITAL<br>PROJECTS | SEWER<br>ASSESSMENT | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>  |                     |                     |                     |                                |                                |
| Property taxes .....  | \$60,901,360        |                     |                     |                                | \$ 60,901,360                  |
| Assessments and interest .....  |                     |                     | \$879,284           | \$ 70,492                      | 949,776                        |
| Intergovernmental .....   | 5,390,976           | \$ 75,000           |                     | 3,588,993                      | 9,054,969                      |
| Charges for services .....  | 3,408,367           |                     |                     | 1,662,410                      | 5,070,777                      |
| Income on investments .....   | 430,024             | 4,534               | 2,992               | 24,951                         | 462,501                        |
| Miscellaneous .....   | 1,341,189           | 7,876               | 491                 | 622,580                        | 1,972,136                      |
| <b>Total revenues.....</b>  | <b>71,471,916</b>   | <b>87,410</b>       | <b>882,767</b>      | <b>5,969,426</b>               | <b>78,411,519</b>              |
| <b>Expenditures:</b>  |                     |                     |                     |                                |                                |
| Current:  |                     |                     |                     |                                |                                |
| General government .....  | 3,418,644           |                     |                     | 474,055                        | 3,892,699                      |
| Public safety .....   | 7,319,414           |                     |                     | 202,210                        | 7,521,624                      |
| Public works and highway .....  | 6,276,967           |                     | 14,150              | 736,714                        | 7,027,831                      |
| Parks, recreation and libraries .....   | 1,713,185           |                     |                     | 290,900                        | 2,004,085                      |
| Health and human services .....   | 1,250,873           |                     |                     | 816,589                        | 2,067,462                      |
| Education .....   | 36,856,408          |                     |                     | 3,515,059                      | 40,371,467                     |
| Pension and insurance .....   | 5,223,141           |                     |                     |                                | 5,223,141                      |
| Capital outlay .....  | 576,791             | 4,427,133           |                     |                                | 5,003,924                      |
| Debt service .....  | 5,752,705           | 737,048             | 828,196             | 66,091                         | 7,384,040                      |
| <b>Total expenditures.....</b>  | <b>68,388,128</b>   | <b>5,164,181</b>    | <b>842,346</b>      | <b>6,101,618</b>               | <b>80,496,273</b>              |
| <b>Excess (deficiency) of revenues over expenditures.....</b>   | <b>3,083,788</b>    | <b>(5,076,771)</b>  | <b>40,421</b>       | <b>(132,192)</b>               | <b>(2,084,754)</b>             |
| <b>Other financing sources (uses):</b>  |                     |                     |                     |                                |                                |
| Transfers in .....  | 9,763               | 629,617             |                     | 356,754                        | 996,134                        |
| Transfers out .....   | (799,937)           |                     |                     | (196,197)                      | (996,134)                      |
| Loan proceeds .....   |                     | 20,929,997          |                     |                                | 20,929,997                     |
| <b>Total other financing sources (uses).....</b>  | <b>(790,174)</b>    | <b>21,559,614</b>   |                     | <b>160,557</b>                 | <b>20,929,997</b>              |
| <b>Change in fund balances.....</b>   | <b>2,293,614</b>    | <b>16,482,843</b>   | <b>40,421</b>       | <b>28,365</b>                  | <b>18,845,243</b>              |
| <b>Fund balance (deficit), July 1, 2002.....</b>  | <b>11,176,733</b>   | <b>(15,074,417)</b> | <b>181,233</b>      | <b>1,941,865</b>               |                                |
| <b>Fund balance, June 30, 2003.....</b>   | <b>\$13,470,347</b> | <b>\$ 1,408,426</b> | <b>\$221,654</b>    | <b>\$1,970,230</b>             |                                |
| Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:   |                     |                     |                     |                                |                                |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period .....  |                     |                     |                     |                                | 3,477,634                      |
| In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. This is the amount of loss on disposals .....   |                     |                     |                     |                                | (11,400)                       |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds .....   |                     |                     |                     |                                | (1,844,998)                    |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments ..... |                     |                     |                     |                                | (16,490,339)                   |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds .....  |                     |                     |                     |                                | 16,908                         |
| Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit VI) .....  |                     |                     |                     |                                | 21,753                         |
| <b>Change in net assets of governmental activities (Exhibit II).....</b>  |                     |                     |                     |                                | <b>\$ 4,014,801</b>            |

The accompanying notes are an integral part of these financial statements.



TOWN OF BRANFORD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS  
JUNE 30, 2003

GOVERNMENTAL  
..ACTIVITIES..  
INTERNAL  
SERVICE FUNDS

|                                  |                           |
|----------------------------------|---------------------------|
| ASSETS:                          |                           |
| Cash and cash equivalents.....   | \$ 552,974                |
| Due from other funds.....        | <u>165,000</u>            |
| Total assets.....                | <u>717,974</u>            |
| LIABILITIES:                     |                           |
| Accounts and other payables..... | 64,755                    |
| Risk management claims.....      | <u>807,490</u>            |
| Total liabilities.....           | <u>872,245</u>            |
| NET ASSETS:                      |                           |
| Unrestricted.....                | <u><u>\$(154,271)</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2003

|                                       | GOVERNMENTAL<br>..ACTIVITIES..<br>INTERNAL<br>SERVICE FUNDS |
|---------------------------------------|---|
| Operating revenues:                   |   |
| Contributions for benefits .....      | \$1,022,300   |
| Refunds .....                         | <u>893</u>  |
| Total operating revenues .....        | <u>1,023,193</u>  |
| Operating expenses:                   |   |
| Benefit claims .....                  | 926,324   |
| Claims administration .....           | <u>85,000</u>   |
| Total operating expenses .....        | <u>1,011,324</u>  |
| Operating income .....                | 11,869  |
| Nonoperating revenue:                 |   |
| Income on investments .....           | <u>9,884</u>  |
| Change in net assets .....            | 21,753  |
| Total net assets, July 1, 2002 .....  | <u>(176,024)</u>  |
| Total net assets, June 30, 2003 ..... | <u>\$ (154,271)</u>   |

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003

|   | GOVERNMENTAL<br>..ACTIVITIES..<br>INTERNAL<br>SERVICE FUNDS |
|---|---|
| Cash flows from operating activities:   |   |
| Cash received from operating funds .....  | \$ 907,963  |
| Cash payments to providers of benefits and administration .....                                   | (797,157)   |
| Net cash provided by operating activities .....   | 110,806   |
| Cash flows from investing activities:   |   |
| Income on investments .....   | 9,884   |
| Net increase in cash and cash equivalents .....   | 120,690   |
| Cash and cash equivalents, July 1, 2002 .....   | 432,284   |
| Cash and cash equivalents, June 30, 2003 .....  | <u>\$ 552,974</u>   |
| RECONCILIATION OF OPERATING INCOME TO<br>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES         |   |
| Operating income .....  | \$ 11,869   |
| Adjustments to reconcile operating income to net cash provided (used) by<br>operating activities: |   |
| Change in assets and liabilities:   |   |
| (Increase) decrease in receivables .....  | (115,230)   |
| Increase (decrease) in accounts payable .....   | 214,167   |
| Net cash provided by operating activities .....   | <u>\$ 110,806</u>   |

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2003

|   | PENSION<br>TRUST<br>FUND | AGENCY<br>FUNDS  |
|---|--------------------------|------------------|
| ASSETS:                                 |                          |                  |
| Cash and cash equivalents.....          | \$ (88)                  | \$739,459        |
| Investments.....                        | 8,366,986                | 126,129          |
| Due from other funds.....               |                          | 14,000           |
| Total assets.....                       | <u>8,366,898</u>         | <u>\$879,588</u> |
| LIABILITIES:                            |                          |                  |
| Accounts and other payables.....        |                          | \$877,228        |
| Due to other funds.....                 |                          | 2,360            |
| Total liabilities.....                  |                          | <u>\$879,588</u> |
| NET ASSETS:                             |                          |                  |
| Held in trust for pension benefits..... | <u>\$8,366,898</u>       |                  |

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANFORD, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF CHANGES IN PLAN NET ASSETS  
PENSION TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2003

## Additions:

## Contributions:

|                           |                |
|---------------------------|----------------|
| Employer .....            | \$ 754,273     |
| Plan members .....        | <u>173,897</u> |
| Total contributions ..... | 928,170        |

## Investment income:

|  |                  |
|--|------------------|
| Net depreciation in fair value of<br>investments ..... | \$(462,362)      |
| Interest and dividends .....                           | <u>185,372</u>   |
| Net investment income (loss) .....                     | <u>(276,990)</u> |
| Total additions .....                                  | 651,180          |

## Deductions:

|                        |                |
|------------------------|----------------|
| Benefits .....         | 535,240        |
| Administration .....   | <u>76,990</u>  |
| Total deductions ..... | <u>612,230</u> |

|   |                           |
|---|---------------------------|
| Net increase .....  | 38,950                    |
| Net assets held in trust for pension benefits, July 1, 2002 ... | <u>8,327,948</u>          |
| Net assets held in trust for pension benefits, June 30, 2003 .. | <u><u>\$8,366,898</u></u> |

The notes to the financial statements are an  
integral part of this statement.

## TOWN OF BRANFORD, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Branford (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The statement established a new reporting model for governments that is substantially different from prior reporting standards. This is the first year that the Town is reporting under the new reporting model, which includes the following segments:

*Management's Discussion & Analysis* – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

*Government-wide financial statements* – consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets, including infrastructure (roads, bridges, drainage systems, etc.) and long-term obligations (general obligation bonds, compensated absences, etc.) are included along with current assets and liabilities.

*Fund financial statements* – provide information about the Town's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting. Governmental funds focus on sources, uses, and balances of current financial resources and often have budgetary orientation, and therefore use a modified accrual basis of accounting utilizing encumbrance accounting. Proprietary funds, which include enterprise and internal service funds, focus on determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows, and therefore, use the accrual basis of accounting. Fiduciary funds focus on net assets and changes in net assets, and include assets held in a trustee (Pension Trust Fund) or agency (Student Activity Funds) and utilize the accrual basis of accounting.

*Required supplementary information* – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund, which is the only major fund with a legally adopted budget. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures (including encumbrances).

#### A. Reporting Entity

The Town is incorporated under the provisions of the Statutes of the State of Connecticut. The Town operates under a Representative Town Meeting/Board of Selectmen form of Government and provides the following services as authorized by its Charter: Administrative, Public Safety, Public Works, Health and Welfare, Recreation, Libraries, Education and Public Improvements.

## ***B. Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

### **Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

*General Fund* - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

*Special Revenue Funds* - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

*Capital Project Funds* - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

*Permanent Funds* - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

### **Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

*Internal Service Funds* - account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Workers' Compensation Fund and the Heart and Hypertension Fund are the Town's internal service funds.

## **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

*Pension Trust Fund* - accounts for the Branford Retirement System.

*Agency Funds* - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

### ***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for the financial resources for the acquisition and construction of major capital facilities.

The Sewer Assessment Fund is used to account for the financial resources related to the sewer assessment projects.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the self insured activities of the Town.

The Pension Trust Fund accounts for the activities of the Branford Retirement System, which accumulates resources for pension benefit payments to qualified Town employees.



Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain Town's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to customers for benefits. Operating expenses for the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### ***D. Deposits and Investments***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4-A.

Investments for the Town are reported at fair value.

#### ***E. Receivables and Payables***

Activity between funds that are representative of lending /borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables, are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

Property taxes are assessed as of October 1 and billed the following July. Property taxes are payable in two installments on July 1 and January 1. Automobile levies and amounts under \$100 are due in one installment. Motor vehicle supplemental bills are payable on January 1. Payments not received within

one month after the due date become delinquent, with interest charged at the rate of 1-1/2% per month. Assessments for real and personal property, excluding motor vehicles, are computed at seventy percent of the market value. Unpaid balances at June 30 are liened. An amount of \$467,108 has been established as an allowance for uncollectible taxes. At June 30, 2003 this represents 14.7% of all property taxes receivable.

#### ***F. Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### ***G. Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

| <u><b>Assets</b></u>    | <u><b>Years</b></u> |
|-------------------------|---------------------|
| Buildings .....         | 45                  |
| Land improvements ..... | 20                  |
| Infrastructure.....     | 20-60               |
| Vehicles .....          | 6-12                |
| Office equipment .....  | 7-10                |
| Computer equipment..... | 5-7                 |

#### ***H. Compensated Absences***

Unused sick leave may be accumulated for certain employees up to a limit ranging from 50 to 225 days, depending upon the contracts in force, for each department in the Town until termination, retirement or death at which time payments will be made. The liability is reported in the government-wide statement of net assets.

## ***I. Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## ***J. Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### ***A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets***

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$66,138,352 difference are as follows:

|   |                            |
|---|----------------------------|
| Bonds payable.....  | \$38,620,000               |
| Clean Water Fund notes .....  | 21,393,991                 |
| Accrued interest payable .....  | 213,731                    |
| Landfill closure.....   | 1,450,000                  |
| Compensated absences .....  | 3,119,439                  |
| Net pension obligation.....   | <u>1,341,191</u>           |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net<br>assets - governmental activities ..... | <u><u>\$66,138,352</u></u> |

***B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities***

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$3,477,634 difference are as follows:

|  |                     |
|--|---------------------|
| Capital outlay.....  | \$ 5,281,452        |
| Depreciation expense.....  | <u>(1,803,818)</u>  |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities ..... | <u>\$ 3,477,634</u> |

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this \$(16,490,339) difference are as follows:

|  |                       |
|--|-----------------------|
| Debt issued or incurred:   |                       |
| Issuance of Clean Water notes .....  | \$(20,929,997)        |
| Principal repayments:  |                       |
| General obligation debt.....   | 3,630,000             |
| Clean Water notes .....  | <u>809,658</u>        |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities ..... | <u>\$(16,490,339)</u> |

Another element of that reconciliation states that “some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds”. The details of this \$(1,844,998) difference are as follows:

|  |                      |
|--|----------------------|
| Property tax receivables .....   | \$(1,008,139)        |
| Accrued interest receivable .....  | (148,872)            |
| Housing loans receivable .....   | 176,960              |
| School Building grants .....   | (718,372)            |
| Assessments .....  | <u>(146,575)</u>     |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities ..... | <u>\$(1,844,998)</u> |

### 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

A budget for the General Fund and certain Special Revenue Funds are authorized annually by the Town. The Board of Finance recommends and the Representative Town Meeting (RTM) approves the budget.

The Town adheres to the following procedures in establishing the budgetary data reported in the financial statements for the General Fund and specific Special Revenue Funds (Sewer Assessment, Water Assessment, Open Space Fund, Board of Education Program Fund and Day Care). As required by Town Charter, the Board of Finance holds a public hearing to review and discuss the proposed annual Town budget no later than two weeks before the Annual Budget Meeting of the Representative Town Meeting (RTM). The Board of Finance then recommends and submits a formal annual appropriations budget to the RTM. The RTM must take action on the adoption of the appropriations recommended by the Board of Finance at the Annual Budget Meeting, which must be held no later than the Friday following the second Tuesday of May. Thereafter, but no later than June 1, the Board of Finance shall determine the rate of taxation for the ensuing fiscal year.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the line item level for all budgeted funds. The Board of Finance, upon the request of individual departments, offices or agencies, may approve and must recommend all transfers to the Representative Town Meeting (RTM). No recommended transfer by the Board of Finance shall be effective unless approved by the RTM. There were no supplemental appropriations this year.

All unencumbered appropriations lapse at year-end except for those in the Capital Projects Fund. Appropriations for these funds are continued until completion of the applicable projects, which often last more than one fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

#### B. Deficit Fund Equity

##### Fund Deficits

The following fund had deficit net asset as of June 30, 2003:

| <u>Fund</u>                       | <u>Amount</u> |
|-----------------------------------|---------------|
| Internal Service Fund:            |               |
| Heart and Hypertension Fund ..... | \$231,939     |

The Internal Service Fund net asset deficit will be funded by General Fund contributions.

### 4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank”, as defined by the Statutes, which is not a “qualified public depository”.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund (STIF) and the Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

#### ***A. Cash and Cash Equivalents***

The following is a summary of cash and cash equivalents at June 30, 2003:

|   |                     |
|---|---------------------|
| Deposits:   |                     |
| Demand accounts.....                              | \$ 8,305,058        |
| Certificate of deposit .....                      | <u>4,727,926</u>    |
| Total deposits .....                              | 13,032,984          |
| Petty cash accounts.....                          | 900                 |
| Other cash equivalents*:                          |                     |
| Tax Exempt Proceeds Funds .....                   | 237,555**           |
| State Short-Term Investment Fund (STIF).....      | 7,460,218**         |
| Cooperative Liquid Asset Securities (CLASS) ..... | <u>1,264,740**</u>  |
| TOTAL CASH AND CASH EQUIVALENTS .....             | <u>\$21,996,397</u> |

\* Short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity.

\*\* Risk Category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

#### ***B. Deposits***

At June 30, 2003, the carrying amount of the Town deposits was \$13,032,984 and the bank balance was \$14,412,141. Of the bank balance, \$720,077 was covered by Federal Depository Insurance. Section 36a-333 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. A minimum of \$1,439,206 based on June 30, 2003 deposits was collateralized at Risk Category 3. Risk Category 3 is defined as collateral held by the pledging financial institution, or by its trust department or agent, but not in the Town's name. The balance of deposits of \$12,252,858 were uninsured and uncollateralized.

### C. Investments

The Town's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent but not in the Town's name.

At June 30, 2003, the Town's investments consisted of the following:

|                                   | .....Category..... |          |             |              |
|-----------------------------------|--------------------|----------|-------------|--------------|
|                                   | <u>1</u>           | <u>2</u> | <u>3</u>    | <u>Total</u> |
| Categorized Investments:          |                    |          |             |              |
| U.S. Government Securities .....  |                    |          | \$ 35,033   | \$ 35,033    |
| Other Debt Securities .....       |                    |          | 26,553      | 26,553       |
| Equity Securities.....            | \$72,244           |          | 26,464      | 98,708       |
| Police Pension Fund and Volunteer |                    |          |             |              |
| Firemens' Pension:                |                    |          |             |              |
| U.S. Government Securities .....  |                    |          | 888,244     | 888,244      |
| Other Debt Securities .....       |                    |          | 6,251,398   | 6,251,398    |
| Equity Securities .....           |                    |          | 1,353,473   | 1,353,473    |
| TOTAL.....                        | \$72,244           | \$ - 0 - | \$8,581,165 | \$8,653,409  |

Due to higher cash flows at certain times during the year, the Town's cash and cash equivalents in category 3 investment were substantially higher than at year end.

### 5. RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|   | <u>General</u> | <u>Capital Projects</u> | <u>Sewer Assessment</u> | <u>Nonmajor and Other Funds</u> | <u>Total</u> |
|---|----------------|-------------------------|-------------------------|---------------------------------|--------------|
| Receivables:                            |                |                         |                         |                                 |              |
| Interest .....                          | \$ 1,445,740   |                         |                         |                                 | \$ 1,445,740 |
| Taxes.....                              | 3,175,302      |                         |                         |                                 | 3,175,302    |
| Accounts .....                          | 1,222,128      | \$ 685                  |                         | \$ 12,293                       | 1,235,106    |
| Special assessments...                  |                |                         | \$2,338,389             | 240,731                         | 2,579,120    |
| Intergovernmental.....                  | 8,499,127      | 17,225                  |                         | 236,933                         | 8,753,285    |
| Loans .....                             |                |                         |                         | 636,351                         | 636,351      |
| Gross receivables.....                  | 14,342,297     | 17,910                  | 2,338,389               | 1,126,308                       | 17,824,904   |
| Less: allowance for uncollectibles..... | (467,108)      |                         |                         |                                 | (467,108)    |
| Net total receivables .....             | \$13,875,189   | \$17,910                | \$2,338,389             | \$1,126,308                     | \$17,357,796 |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

|   | <u>Unavailable</u>  | <u>Unearned</u>             |
|---|---------------------|-----------------------------|
| Delinquent property taxes receivable.....                   | \$ 2,423,420        |                             |
| Accrued interest .....                                      | 1,445,740           |                             |
| Special assessments not yet due.....                        | 2,579,120           |                             |
| Grant drawdowns and unearned fees .....                     |                     | \$1,385,840                 |
| School Building grants .....                                | 8,390,193           |                             |
| Housing loans.....  | <u>636,351</u>      | <u>                    </u> |
| Total deferred/unearned revenue for governmental funds..... | <u>\$15,474,824</u> | <u>\$1,385,840</u>          |

## 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>      | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|
| <b>Governmental activities:</b>              |                              |                     |                       |                           |
| Capital assets, not being depreciated:       |                              |                     |                       |                           |
| Land .....                                   | \$ 5,812,440                 |                     |                       | \$ 5,812,440              |
| Construction in progress.....                | <u>56,356,077</u>            | <u>\$ 3,720,779</u> | <u>\$(31,732,353)</u> | <u>28,344,503</u>         |
| Total capital assets, not being depreciated  | <u>62,168,517</u>            | <u>3,720,779</u>    | <u>(31,732,353)</u>   | <u>34,156,943</u>         |
| Capital assets, being depreciated:           |                              |                     |                       |                           |
| Buildings.....                               | 39,820,456                   | 27,744,416          |                       | 67,564,872                |
| Land improvements .....                      | 596,500                      |                     |                       | 596,500                   |
| Machinery and equipment .....                | <u>10,428,713</u>            | <u>5,548,610</u>    | <u>(131,500)</u>      | <u>15,845,823</u>         |
| Total capital assets being depreciated ..... | <u>50,845,669</u>            | <u>33,293,026</u>   | <u>(131,500)</u>      | <u>84,007,195</u>         |
| Less accumulated depreciation for:           |                              |                     |                       |                           |
| Buildings.....                               | 15,172,086                   | 1,019,204           |                       | 16,191,290                |
| Land improvements .....                      | 326,503                      | 25,540              |                       | 352,043                   |
| Machinery and equipment .....                | <u>7,196,417</u>             | <u>759,074</u>      | <u>(120,100)</u>      | <u>7,835,391</u>          |
| Total accumulated depreciation.....          | <u>22,695,006</u>            | <u>1,803,818</u>    | <u>(120,100)</u>      | <u>24,378,224</u>         |
| Total capital assets, being depreciated, net | <u>28,150,663</u>            | <u>31,489,208</u>   | <u>(11,400)</u>       | <u>59,628,471</u>         |
| Governmental activities capital assets, net  | <u>\$90,319,180</u>          | <u>\$35,209,987</u> | <u>\$(31,743,753)</u> | <u>\$93,785,414</u>       |



The Town has not implemented the provisions of GASB Statement 34 which require reporting of infrastructure assets acquired prior to July 1, 2002.

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

|                                       |                |
|---------------------------------------|----------------|
| General government .....              | \$ 25,968      |
| Public safety .....                   | 363,668        |
| Public works .....                    | 356,084        |
| Parks, recreation and libraries ..... | 46,724         |
| Health and welfare .....              | 37,407         |
| Education.....                        | <u>973,967</u> |

|   |                           |
|---|---------------------------|
| Total depreciation expense - governmental activities..... | <u><u>\$1,803,818</u></u> |
|---|---------------------------|

**Construction Commitments**

The Town has active construction projects as of June 30, 2003. The projects include:

| <u>Project</u>                         | <u>Appropriation</u>       | <u>Cumulative Expenditures</u> | <u>Encumbrances</u>     | <u>Available Balance</u>  |
|--|----------------------------|--------------------------------|-------------------------|---------------------------|
| Palmerwood Pump Station.....           | \$ 1,300,000               | \$ 94,487                      |                         | \$1,205,513               |
| Stony Creek Pier .....                 | 400,000                    | 379,610                        |                         | 20,390                    |
| Elementary School Renovation.....      | 12,819,000                 | 12,819,000                     |                         |                           |
| Clean Water Project.....               | 31,919,452                 | 31,943,667                     | \$ 75,724               | (99,939)                  |
| High School Renovations .....          | 26,577,000                 | 26,541,338                     |                         | 35,662                    |
| 1996/1997 Capital Projects.....        | 474,761                    | 467,661                        |                         | 7,100                     |
| Police Station .....                   | 3,970,000                  | 3,969,583                      |                         | 417                       |
| Trolley Trail .....                    | 51,235                     | 48,515                         |                         | 2,720                     |
| Sidewalk and Curb.....                 | 777,600                    | 755,841                        |                         | 21,759                    |
| Ambulance Fund .....                   | 357,360                    | 356,894                        |                         | 466                       |
| Fire Apparatus Fund .....              | 1,330,799                  | 1,017,778                      |                         | 313,021                   |
| Technology Upgrade (High School) ..... | 1,400,000                  | 1,400,000                      |                         |                           |
| Structural Remediation Fund .....      | 150,000                    | 148,009                        |                         | 1,991                     |
| Town Hall Renovation.....              | 3,615,000                  | 3,458,969                      | 33,301                  | 122,730                   |
| Willoughby Wallace Library .....       | 940,000                    | 940,000                        |                         |                           |
| <b>TOTAL.....</b>                      | <u><u>\$86,082,207</u></u> | <u><u>\$84,341,352</u></u>     | <u><u>\$109,025</u></u> | <u><u>\$1,631,830</u></u> |

## 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual fund interfund receivable and payable balances at June 30, 2003, are as follows:

| <u>Interfund Receivable</u>       | <u>Interfund Payable</u>          | <u>Amount</u>      |
|-----------------------------------|-----------------------------------|--------------------|
| Nonmajor Governmental Funds ..... | General Fund .....                | \$ 599,827         |
| Capital Project Fund .....        | Nonmajor Governmental Funds ..... | 57,351             |
| General Fund .....                | Nonmajor Governmental Funds ..... | 687,510            |
| Internal Service Funds .....      | General Fund .....                | 165,000            |
| Agency Funds .....                | General Fund .....                | 14,000             |
| General Fund .....                | Agency Fund.....                  | 2,360              |
| Capital Project Fund .....        | General Fund .....                | 765,485            |
| General Fund .....                | Capital Project Fund .....        | <u>1,630</u>       |
| TOTAL .....                       |                                   | <u>\$2,293,163</u> |

All interfund receivables and payables are the result of regularly recurring transactions and represent temporary balances.

Interfund transfers:

|                            | <u>.....Transfer In.....</u> |                             |                                  |                  |
|----------------------------|------------------------------|-----------------------------|----------------------------------|------------------|
|                            | <u>General<br/>Fund</u>      | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental</u> | <u>Total</u>     |
| Transfer out:              |                              |                             |                                  |                  |
| General Fund.....          |                              | \$443,183                   | \$356,754                        | \$799,937        |
| Nonmajor Governmental..... | <u>\$9,763</u>               | <u>186,434</u>              |                                  | <u>196,197</u>   |
| Total transfers out.....   | <u>\$9,763</u>               | <u>\$629,617</u>            | <u>\$356,754</u>                 | <u>\$996,134</u> |

All transfers represent routine transactions that occur annually to move resources from one fund to another.

## 8. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Bonds payable:                                    |                              |                  |                   |                           |                                |
| General obligation bonds .                        | \$42,250,000                 |                  | \$3,630,000       | \$38,620,000              | \$3,300,000                    |
| Clean water notes .....                           | 1,273,652                    | \$20,929,997     | 809,658           | 21,393,991                | 942,120                        |
| Total bonds and notes payable .....               | 43,523,652                   | 20,929,997       | 4,439,658         | 60,013,991                | 4,242,120                      |
| Landfill closure .....                            | 1,450,000                    |                  |                   | 1,450,000                 | 160,000                        |
| Retirement incentive .....                        | 284,058                      |                  | 284,058           |                           |                                |
| Compensated absences .....                        | 2,820,394                    | 299,045          |                   | 3,119,439                 | 97,924                         |
| Risk management claims .....                      | 650,745                      | 926,324          | 769,579           | 807,490                   | 362,396                        |
| Net pension obligation .....                      | 1,346,969                    |                  | 5,778             | 1,341,191                 |                                |
| Governmental activity long-term liabilities ..... | \$50,075,818                 | \$22,155,366     | \$5,499,073       | \$66,732,111              | \$4,862,440                    |

A schedule of bonds and notes outstanding at June 30, 2003 is presented below:

|   | <u>Balance<br/>July 1, 2002</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance<br/>June 30, 2003</u> |
|---|---------------------------------|---------------|----------------|----------------------------------|
| General Obligation:                                     |                                 |               |                |                                  |
| School, 4.0-5.0%, mature in 2008.....                   | \$ 2,831,000                    |               | \$ 515,000     | \$ 2,316,000                     |
| School, 5.9-7.9%, mature in 2009.....                   | 1,434,000                       |               | 205,000        | 1,229,000                        |
| School, 4.5-6.25%, mature in 2017.....                  | 11,575,000                      |               | 575,000        | 11,000,000                       |
| School, 4.0-5.0%, mature in 2019.....                   | 9,761,000                       |               | 523,000        | 9,238,000                        |
| Public improvement, 6.20-6.30%, mature in 2002.....     | 100,000                         |               | 100,000        |                                  |
| Public improvement, 8.60-9.10%, mature in 2003.....     | 95,000                          |               | 95,000         |                                  |
| Public improvement, 4.0-5.0%, mature in 2008            | 629,000                         |               | 115,000        | 514,000                          |
| Public improvement, 5.9-7.9%, mature in 2009            | 835,000                         |               | 120,000        | 715,000                          |
| Public improvement, 4.0-5.0%, mature in 2019            | 7,724,000                       |               | 402,000        | 7,322,000                        |
| Public improvement sewer, 4.0-5.0%, mature in 2019..... | 4,905,000                       |               | 215,000        | 4,690,000                        |

|  | <b><u>Balance<br/>July 1, 2002</u></b> | <b><u>Issued</u></b> | <b><u>Retired</u></b> | <b><u>Balance<br/>June 30, 2003</u></b> |
|--|--|----------------------|-----------------------|---|
| Special Assessment:                                |  |                      |                       |   |
| Sewer, 4.0-5.0%, mature in 2008.....               | \$ 186,000                             |                      | \$ 34,000             | \$ 152,000                              |
| Sewer, 6.65%, mature in 2002 .....                 | 25,000                                 |                      | 25,000                |   |
| Sewer, 5.35%, mature in 2003 .....                 | 200,000                                |                      | 200,000               |   |
| Sewer, 8.6-9.1%, mature in 2003 .....              | 265,000                                |                      | 265,000               |   |
| Sewer, 5.9-7.9%, mature in 2009 .....              | 1,231,000                              |                      | 175,000               | 1,056,000                               |
| Sewer, 4.5-6.25%, mature in 2017 .....             | 65,000                                 |                      | 25,000                | 40,000                                  |
| Water, 4.0-5.0%, mature in 2008 .....              | 64,000                                 |                      | 11,000                | 53,000                                  |
| Water, 6.8-7.5%, mature in 2012 .....              | 325,000                                |                      | 30,000                | 295,000                                 |
| Total bonds.....                                   | 42,250,000                             |                      | 3,630,000             | 38,620,000                              |
| State of Connecticut, Water, 2%, mature in 2013 .. | 158,872                                |                      | 13,271                | 145,601                                 |
| State of Connecticut, Water 2%, mature in 2019 ... | 1,114,780                              |                      | 58,649                | 1,056,131                               |
| State of Connecticut, Water 2%, mature in 2022 ... |  | \$20,929,997         | 737,738               | 20,192,259                              |
| Total bonds and notes .....                        | <u>\$43,523,652</u>                    | <u>\$20,929,997</u>  | <u>\$4,439,658</u>    | <u>\$60,013,991</u>                     |

On May 15, 2001, The Town issued \$12,230,000 in general obligation bonds with an average interest rate of 4.72% to advance refund \$11,925,000 of outstanding 1996 General Obligation Bonds with an average interest rate of 5.17%. The net proceeds of 12,355,393 (after payment of 303,932 in underwriting fees insurance and other issuance costs) were used to purchase U.S. Treasury Securities – State and Local Series. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds until their redemption date. These 1996 bonds are considered to be defeased.

The balance of defeased bonds is \$10,275,000 at June 30, 2003.

The following is a summary of debt maturities for repayment of bonds and notes, excluding bond anticipation notes.

| <b><u>Year Ending June 30,</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b> |
|------------------------------------|-------------------------|------------------------|---------------------|
| 2004.....                          | \$ 4,242,120            | \$ 2,314,868           | \$ 6,556,988        |
| 2005.....                          | 4,361,136               | 2,127,892              | 6,489,028           |
| 2006.....                          | 4,540,536               | 1,938,146              | 6,478,682           |
| 2007.....                          | 4,515,327               | 1,751,125              | 6,266,452           |
| 2008-12 .....                      | 4,485,519               | 1,568,935              | 6,054,454           |
| 2009-13 .....                      | 17,947,289              | 5,420,486              | 23,367,775          |
| 2014-18 .....                      | 14,443,428              | 1,953,120              | 16,396,548          |
| 2019-23 .....                      | 5,478,636               | 241,767                | 5,720,403           |
| TOTAL.....                         | <u>\$60,013,991</u>     | <u>\$17,316,339</u>    | <u>\$77,330,330</u> |

## Clean Water Fund Notes

The Town is currently participating in a Capital Project (Wastewater Design Fund) under the State of Connecticut Clean Water Fund established in accordance with Section 22a-477 of the General Statutes of Connecticut. The Clean Water Fund is administered by the State Department of Environmental Protection and provides grant and loan funds to municipalities for “eligible water quality project costs”.

The Town permanently financed \$20,929,997 through this program in March 2003. The Town anticipates estimated State grant funds in the amount of \$700,000 to offset future debt service. The Town authorized borrowing of \$31,400,000 to finance this project. The Town permanently financed \$5,220,151 in prior years.

## General Obligation Bonds and Notes

All bonds and notes are classified as general obligations of the Town.

### Bonds Authorized Unissued

The Town had bonds authorized unissued for various projects as follows:

| <u>Project</u>             | <u>Authorization</u> | <u>Bonds<br/>Previously<br/>Issued</u> | <u>Grants<br/>Received</u> | <u>Bonds<br/>Authorized<br/>Unissued</u> |
|----------------------------|----------------------|--|----------------------------|--|
| Palmerwood Sewers          | \$1,300,000          | \$1,175,000                            |                            | \$125,000                                |
| Wastewater Treatment Plant | \$31,400,000         | \$26,150,148                           | \$3,808,440                | \$1,441,412                              |

The Town’s indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

| <u>Category</u>       | <u>Debt Limit</u> | <u>Indebtedness*</u> | <u>Balance</u> |
|-----------------------|-------------------|----------------------|----------------|
| General purpose ..... | \$139,354,891     | \$8,551,000          | \$130,803,891  |
| Schools .....         | \$278,709,782     | \$15,392,807         | \$263,316,975  |
| Sewers .....          | \$232,258,151     | \$28,898,403         | \$203,359,748  |
| Urban renewal .....   | \$201,290,398     |                      | \$201,290,398  |
| Pension deficit.....  | \$185,806,521     |                      | \$185,806,521  |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation \$433,548,549.

\* Includes bonds authorized unissued (\$1,566,412) and excludes water bonds of \$348,000.

\*\* Total school indebtedness has been reduced by State of Connecticut Building Grants commitments of \$8,390,193.

## Retirement Incentives

The Board of Education periodically provides retirement incentive programs. The liability for these programs decreased by \$284,058 to \$-0- this year.

## 9. RISK MANAGEMENT

The Town is exposed to various risks of loss related including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town generally obtains commercial insurance for these risks, but, as of July 1, 2000, has chosen to retain the risks for workers' compensation claims. The Town's claims for risks covered by insurance have not exceeded covered losses during the past three years.

The Workers' Compensation Internal Service Fund is utilized to report the self-insurance activity. Webster Insurance administers the plan, for which the Town pays a fee. The Town's general government and the Board of Education, contribute based on estimates using historical data. The Town covers all claims up to \$250,000 per employee per year with a stop-loss policy covering amounts exceeding the limit.

The claims liability of \$430,788 reported in the Internal Service Fund at June 30, 2003 is based on the *Government Accounting Standards Board Statement No. 10*, which requires that a liability for estimated claims incurred but not reported be recorded. Changes in the claims liability were as follows for the last two years:

|               | <b>Liability<br/><u>July 1,</u></b> | <b>Current Year Claims<br/>And Changes<br/><u>In Estimates</u></b> | <b>Claim<br/>Payments</b> | <b>Liability<br/><u>June 30,</u></b> |
|---------------|-------------------------------------|--|---------------------------|--------------------------------------|
| 2002-03 ..... | \$231,880                           | \$855,256  | \$656,348                 | \$430,788                            |
| 2001-02 ..... | \$336,876                           | \$259,627  | \$364,623                 | \$231,880                            |

The Heart and Hypertension Fund was established this year to account for the self insured activities of the Town related to heart and hypertension claims. Activity was previously recorded in the General Fund. The claims liability of \$376,702 at June 30, 2003 is based on the *Government Accounting Standards Board Statement #10*, which requires that a liability for estimated claims incurred but not reported be recorded. Changes in the claims liability are as follows:

|               | <b>Liability<br/><u>July 1,</u></b> | <b>Current Year Claims<br/>And Changes<br/><u>In Estimates</u></b> | <b>Claim<br/>Payments</b> | <b>Liability<br/><u>June 30,</u></b> |
|---------------|-------------------------------------|--|---------------------------|--------------------------------------|
| 2002-03 ..... | \$418,865                           | \$71,068   | \$113,231                 | \$376,702                            |
| 2001-02 ..... | \$ - 0 -                            | \$418,865  | \$ - 0 -                  | \$418,865                            |

## 10. LANDFILL CLOSURE AND POSTCLOSURE

The Town landfill at the intersection of Tabor Drive and Marshall Road no longer accepts municipal solid waste, or sewer sludge, yet continues to accept bulky waste from the Town transfer station, and serves as a Department of Environmental Protection-approved site for placement of soils with certain contaminants.

State and Federal laws and regulations require the Town of Branford to place final cover on the landfill. While the landfill continues to receive bulky waste, the Town has undertaken the placement of final cover on completed sections. In the 2002-2003 fiscal year, major erosion control work was completed; 8,500 cubic yards of base material was obtained and spread on the 6 acres of the top of landfill, though capping is not complete on those areas; and 13,200 square feet were completed below the front working face. Thus, although only a small additional area was fully completed, major work was accomplished, increasing the totals spent to date, but bringing the Town closer to completion of all inactive portions.

Each year, the Town appropriates funds for the placement of final cover. To date, \$815,000 has been appropriated and approximately \$809,300 expended, with approximately 56% of the total area of the landfill having had all layers of final cover applied. The Town has signed a contract for a \$400,000 grant from the Department of Environmental Protection to cap the top of the landfill, the first \$203,500 of which has been reimbursed to the Town. It is anticipated that the placement of bulky waste will continue at the front of the landfill for the next four (4) years. Annual appropriations will be placed in a special revenue fund for the final cover for this front section when it no longer receives waste. Based upon current practice, it is anticipated that the final cover costs will total \$1,449,300, including funds already spent, but not including post-closure costs. The Town is required to monitor and maintain the landfill for thirty years after closure. The estimated annual cost for this postclosure activity is \$27,000. These costs will be funded through the General Fund on an annual basis. Regulatory changes or acceleration of the schedule for closure of the landfill may require additional appropriations for the accelerated completion of the installation of final cover.

#### **Summary of Estimated Total Cost of Remaining Closure and Postclosure Care**

|   |                           |
|---|---------------------------|
| Final Cover Cost (\$160,000 x 4 years) .....                        | \$ 640,000                |
| Postclosure Care Costs (30 years):                                  |                           |
| Inspection and maintenance of final cover (\$15,000 annually) ..... | 450,000                   |
| Monitoring Program, groundwater and Methane (\$12,000 annually) ... | <u>360,000</u>            |
| TOTAL.....  | <u><u>\$1,450,000</u></u> |

## **11. JOINT VENTURES**

### **Bristol Resource Recovery Facility Operating Committee**

The Town is a participant with fourteen (14) other cities and towns in a joint venture, the Bristol Resource Recovery Facility Operating Committee (BRRFOC). The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of contracting municipalities in dealing with the waste to energy plant built by Ogden Martin Systems of Bristol, Inc. The governing board consists of Town officials appointed by each of the participating municipalities, and assumes all the management decisions. The Town of Branford has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Intercommunity Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements. The Town expenditures to the BRRFOC amounted to \$842,713 this year. General Fund unreserved, undesignated fund balance for fiscal year ended June 30, 2003 as reflected in the BRRFOC's financial statements is \$11.6 million. A complete set of financial statements for BRRFOC can be obtained from the administrative office at 43 Enterprise Drive, Bristol, Connecticut.

On May 15, 1995, the Committee issued \$68,040,000 in Solid Waste Revenue Refunding Bonds with interest rates varying from 5.2 % to 6.5% to current refund \$66,835,000 of outstanding special obligation bonds of the Connecticut Development Authority. The proceeds from the original bonds were loaned by the Authority to Ogden Martin Systems of Bristol, Inc. Under the Service Agreement, the service fee is an obligation of the Contracting Municipalities to which each has pledged its full faith and credit. Should any Contracting Municipality default in its obligation to pay the service fee, the other Contracting Municipalities shall have an obligation to continue to pay the aggregate service fee. If the Company does not perform its obligations under the service agreement, and Ogden Corporation fails to perform such obligations pursuant to its guarantee, the Contracting Municipalities have certain rights to terminate the service agreement and, upon termination, would no longer be obligated to pay the service fee. The current balance of the bonds outstanding is \$49,920,000.

## 12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

### Police Employees Retirement Plan

#### A. Plan Description

The Town of Branford is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its police officers. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund.

The Town provides police retirement benefits through a single employer, contributory, defined benefit plan. Under the plan, all regular members of the Police Department are eligible. Participants are 100% vested after five (5) years of service. The retirement benefit is calculated at 2% of the highest annual salary out of the last three (3) years immediately prior to retirement multiplied by up to 33 1/3 years of service. Police officers are required to contribute 6% of their base salaries to the PERS. The Plan provides for automatic post-retirement increases on Retiree Pensions up to a maximum of 66 2/3% of pay. If an employee leaves covered employment before five (5) years of service, accumulated employee contributions and related investment earnings are refunded. Benefits and contributions are established by the Town and may be amended only by the Representative Town Meeting.

At July 1, 2002, PERS membership consisted of:

|  |           |
|--|-----------|
| Retirees, disabled and beneficiaries currently receiving benefits.....     | 30        |
| Terminated employees entitled to benefits but not yet receiving them ..... | 1         |
| Active Plan Members .....  | <u>45</u> |
| TOTAL.....   | <u>76</u> |

#### B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments: Investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchange of investments are recognized on the transaction date. There are no investments in any organization that represent 5% or more of net assets available for benefits.

#### C. Funding Status and Progress

Police officers are required to contribute 6.0% of base pay to the PERS. The Town is required to contribute the amounts necessary to finance the coverage for its employees as determined by its actuaries; the current rate is 25.75% of covered payroll.



#### ***D. Annual Pension Cost and Net Pension Obligations***

The Town's annual pension cost and net pension obligation to the Town's Retirement System for the current year were as follows:

|   |                           |
|---|---------------------------|
| Annual required contribution .....                  | \$ 751,507                |
| Interest on net pension obligation .....            | 107,758                   |
| Adjustment to annual required contribution .....    | <u>(110,770)</u>          |
| Annual pension cost .....                           | 748,495                   |
| Contributions made .....                            | <u>754,273</u>            |
|   |                           |
| Increase (decrease) in net pension obligation ..... | (5,778)                   |
| Net pension obligation beginning of year .....      | <u>1,346,969</u>          |
|   |                           |
| Net pension obligation end of year .....            | <u><u>\$1,341,191</u></u> |

The following is a summary of certain significant actuarial assumptions and other PERS information:

|                                    |                              |
|------------------------------------|------------------------------|
| Actuarial valuation date .....     | July 1, 2001                 |
| Actuarial cost method .....        | Projected Unit Credit        |
| Amortization method.....           | Level dollar                 |
| Remaining amortization period..... | 30 years closed              |
| Asset valuation method .....       | 4 years smoothed asset value |
| Actuarial assumptions:             |                              |
| Investment rate of return .....    | 8.0%                         |
| Projected salary increases .....   | 6.0%                         |
| Assumed inflation rate .....       | 4.0%                         |

#### ***E. Trend Information***

| <b><u>Fiscal Year Ended</u></b> | <b><u>Annual Pension Cost (APC)</u></b> | <b><u>Percentage of APC Contributed</u></b> | <b><u>Net Pension Obligation</u></b> | <b><u>Actual Contribution</u></b> |
|---------------------------------|---|---|--------------------------------------|-----------------------------------|
| 6/30/01                         | \$640,641                               | 103.0%                                      | \$1,379,064                          | \$660,000                         |
| 6/30/02                         | \$662,880                               | 104.8%                                      | \$1,346,969                          | \$694,975                         |
| 6/30/03                         | \$748,495                               | 100.8%                                      | \$1,341,191                          | \$754,273                         |

## ***F. Pension Plan Required Supplementary Information***

### ***Schedule of Funding Progress***

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial Accrued<br/>Liability(AAL)<br/>--Entry Age<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(a-b)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>% of Covered<br/>Payroll<br/>((a-b)/c)</b> |
|---|--|---|--|-----------------------------------|------------------------------------|---|
| 7/01/97                                 | \$5,753,024                                      | \$10,386,258  | \$(4,633,234)                                | 55.4%                             | \$2,060,389                        | 224.9%  |
| 7/01/99                                 | \$8,336,451                                      | \$11,542,336  | \$(3,205,885)                                | 72.2%                             | \$2,314,802                        | 138.5%  |
| 7/01/01                                 | \$9,550,035                                      | \$13,326,943  | \$(3,776,908)                                | 71.7%                             | \$2,601,817                        | 145.2%  |

### ***Schedule of Employer Contributions***

| <b><u>Year<br/>Ended</u></b> | <b><u>Annual<br/>Required<br/>Contribution</u></b> | <b><u>Percentage<br/>Contributed</u></b> |
|------------------------------|--|--|
| 6/30/97                      | \$797,915  | 96.5%                                    |
| 6/30/98                      | \$734,956  | 102.9%                                   |
| 6/30/99                      | \$755,000  | 101.9%                                   |
| 6/30/00                      | \$670,195  | 107.3%                                   |
| 6/30/01                      | \$642,000  | 102.8%                                   |
| 6/30/02                      | \$665,040  | 104.5%                                   |

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

## **Municipal Employees' Retirement System**

All Town of Branford full-time employees, except the Police Department employees, elected officials and certified teachers and administrators, participate in the Connecticut Municipal Employee's Retirement Fund B (MERF), a cost sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

*Funding Policy* - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 2.75% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the

State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2003, 2002, and 2001 were \$303,469, \$384,446, and \$347,173, respectively, equal to the required contributions for each year.

## **Teacher Retirement**

All Town of Branford teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut which has a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has:

- . Attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or;
- . attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The Board of Education withholds seven percent (7%) of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$17,783,392 or 51.2% of the total Town payroll of \$34,754,519.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2003 the Town has recorded in the General Fund, intergovernmental revenue and education expenditures in the amount of \$1,124,698 as payments made by the State of Connecticut on-behalf of the Town.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

## **13. CONTINGENT LIABILITIES**

The Town of Branford is currently a defendant in a number of lawsuits. It is the opinion of Town officials and legal counsel that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgement against the Town which would materially adversely affect its financial position.

TOWN OF BRANFORD, CONNECTICUTGENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2003

|                                       | .....BUDGETED AMOUNTS..... |                   |                   | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|---------------------------------------|----------------------------|-------------------|-------------------|--|
|                                       | ORIGINAL                   | FINAL             | ACTUAL            |  |
| <b>Taxes:</b>                         |                            |                   |                   |  |
| Current taxes .....                   | \$57,790,362               | \$57,790,362      | \$58,607,581      | \$ 817,219                             |
| Interest income .....                 | 450,000                    | 450,000           | 867,861           | 417,861                                |
| Lien fees .....                       | 7,500                      | 7,500             | 13,469            | 5,969                                  |
| Suspense collections .....            | 7,500                      | 7,500             | 9,869             | 2,369                                  |
| Delinquent taxes .....                | 700,000                    | 700,000           | 1,402,580         | 702,580                                |
| <b>Total.....</b>                     | <b>58,955,362</b>          | <b>58,955,362</b> | <b>60,901,360</b> | <b>1,945,998</b>                       |
| <b>Intergovernmental revenues:</b>    |                            |                   |                   |  |
| Education cost sharing .....          | 1,275,244                  | 1,275,244         | 1,325,074         | 49,830                                 |
| School transportation .....           | 187,428                    | 187,428           | 172,794           | (14,634)                               |
| Health and welfare .....              | 587,403                    | 587,403           | 718,372           | 130,969                                |
| Principal subsidy .....               |                            |                   | 20,734            | 20,734                                 |
| Interest subsidy .....                | 327,192                    | 327,192           | 361,991           | 34,799                                 |
| Adult education .....                 | 21,801                     | 21,801            |                   | (21,801)                               |
| Circuit breaker elderly .....         | 200,000                    | 200,000           | 213,182           | 13,182                                 |
| Elderly tax relief - freeze .....     | 25,000                     | 25,000            | 21,849            | (3,151)                                |
| Boat exemption .....                  | 98,245                     | 98,245            | 98,245            |  |
| Disability exemption .....            | 2,200                      | 2,200             | 3,855             | 1,655                                  |
| Veterans' reimbursement - State ..... | 75,000                     | 75,000            | 87,614            | 12,614                                 |
| Manufacturing PILOT grant .....       | 645,580                    | 645,580           | 554,202           | (91,378)                               |
| Pequot grant .....                    | 177,109                    | 177,109           | 143,813           | (33,296)                               |
| Private property exemption .....      | 35,569                     | 35,569            | 36,736            | 1,167                                  |
| State property exemption .....        | 60,859                     | 60,859            | 61,569            | 710                                    |
| State counseling grants .....         | 127,245                    | 127,245           | 133,137           | 5,892                                  |
| Miscellaneous State grants .....      |                            |                   | 3,109             | 3,109                                  |
| COPS Fast .....                       |                            |                   | 13,820            | 13,820                                 |
| <b>Total.....</b>                     | <b>3,845,875</b>           | <b>3,845,875</b>  | <b>3,970,096</b>  | <b>124,221</b>                         |
| <b>Licenses, permits and fees:</b>    |                            |                   |                   |  |
| Oil burner permits .....              | 100                        | 100               |                   | (100)                                  |
| Building permits .....                | 200,000                    | 200,000           | 304,444           | 104,444                                |
| Excavation permits .....              | 6,000                      | 6,000             | 5,895             | (105)                                  |
| Electrical permits .....              | 22,000                     | 22,000            | 23,010            | 1,010                                  |
| Plumbing permits .....                | 17,000                     | 17,000            | 14,850            | (2,150)                                |

(Continued) - 1.

TOWN OF BRANFORD, CONNECTICUT  
 GENERAL FUND  
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

| .....BUDGETED AMOUNTS.....                              |           |           |           | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|---|-----------|-----------|-----------|--|
|   | ORIGINAL  | FINAL     | ACTUAL    |  |
| Licenses, permits and fees (continued):                 |           |           |           |  |
| Heating, air conditioning and ventilation permits ..... | \$ 17,000 | \$ 17,000 | \$ 20,630 | \$ 3,630                               |
| Sewer connection permits .....                          | 150       | 150       | 194       | 44                                     |
| Other licenses and permits .....                        | 700       | 700       | 2,120     | 1,420                                  |
| Zoning Board of Appeals .....                           | 7,500     | 7,500     | 7,400     | (100)                                  |
| Planning and Zoning .....                               | 15,000    | 15,000    | 23,383    | 8,383                                  |
| Map copies - building and engineering .....             | 2,000     | 2,000     | 1,793     | (207)                                  |
| Inland wetlands applications .....                      | 13,000    | 13,000    | 16,280    | 3,280                                  |
| Transfer station escrow .....                           | 89,500    | 89,500    | 195,299   | 105,799                                |
| Sale of recycling boxes .....                           | 1,200     | 1,200     | 615       | (585)                                  |
| Trip passes .....                                       | 2,000     | 2,000     | 2,839     | 839                                    |
| Permits and tags - police .....                         | 10,000    | 10,000    | 7,990     | (2,010)                                |
| Special wages - police .....                            | 425,000   | 425,000   | 290,135   | (134,865)                              |
| False alarm fees .....                                  | 15,000    | 15,000    | 15,175    | 175                                    |
| Waste treatment fees .....                              | 45,000    | 45,000    | 193,025   | 148,025                                |
| North Branford sewer fees .....                         | 190,000   | 190,000   | 237,995   | 47,995                                 |
| Pump out services .....                                 | 3,500     | 3,500     | 3,620     | 120                                    |
| Town Clerk other monies .....                           | 250,000   | 250,000   | 469,708   | 219,708                                |
| Conveyance taxes .....                                  | 150,000   | 150,000   | 330,654   | 180,654                                |
| DEP licenses - Town portion .....                       | 600       | 600       | 606       | 6                                      |
| Marriage licenses - Town portion .....                  | 2,100     | 2,100     | 2,420     | 320                                    |
| Dog licenses .....                                      | 5,000     | 5,000     | 5,569     | 569                                    |
| Ambulance service fees .....                            | 691,870   | 691,870   | 722,380   | 30,510                                 |
| Miscellaneous permits and fees - fire services .....    |           |           | 445       | 445                                    |
| Counseling fees and services .....                      | 325,000   | 325,000   | 402,992   | 77,992                                 |
| Counseling-United Way Contribution .....                | 21,000    | 21,000    | 19,816    | (1,184)                                |
| DEP Nutrient Credit .....                               | 54,000    | 54,000    | 87,085    | 33,085                                 |
| Total.....  | 2,581,220 | 2,581,220 | 3,408,367 | 827,147                                |
| Interest income .....                                   | 496,690   | 496,690   | 430,024   | (66,666)                               |
| Other:  |           |           |           |  |
| Willoughby - Wallace Library fees .....                 | 1,250     | 1,250     | 1,305     | 55                                     |
| Employee health insurance co-pay .....                  | 90,872    | 90,872    | 92,562    | 1,690                                  |
| In lieu of taxes - telephone access .....               | 337,264   | 337,264   | 373,330   | 36,066                                 |
| In lieu of taxes - SCRW .....                           | 205,278   | 205,278   | 224,123   | 18,845                                 |
| Leases .....  | 4,250     | 4,250     | 3,401     | (849)                                  |
| Board of Education - building usage .....               |           |           | 3,470     | 3,470                                  |
| Telephone booths .....                                  | 500       | 500       | 452       | (48)                                   |
| Insurance claims and refunds .....                      | 20,000    | 20,000    | 4,542     | (15,458)                               |

(Continued) - 2.

TOWN OF BRANFORD, CONNECTICUT  
 GENERAL FUND  
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

| .....BUDGETED AMOUNTS.....   |                     |                     |                     | VARIANCE                   |
|--|---------------------|---------------------|---------------------|----------------------------|
|  | ORIGINAL            | FINAL               | ACTUAL              | FAVORABLE<br>(UNFAVORABLE) |
| Other (continued):   |                     |                     |                     |                            |
| Miscellaneous refunds .....  |                     |                     | \$ 38,027           | \$ 38,027                  |
| Miscellaneous income .....   | \$ 10,000           | \$ 10,000           | 541,821             | 531,821                    |
| Sale of Town property .....  | 7,000               | 7,000               | 44,632              | 37,632                     |
| Reimbursement Town services .....  | 20,000              | 20,000              | 6,635               | (13,365)                   |
| Board of Education - tuition reimbursement .....   |                     |                     | 6,225               | 6,225                      |
| COBRA/dental reimbursement .....   |                     |                     | 64                  | 64                         |
| Warden fees .....  |                     |                     | 600                 | 600                        |
| Total other .....  | 696,414             | 696,414             | 1,341,189           | 644,775                    |
| Total revenues .....   | 66,575,561          | 66,575,561          | 70,051,036          | 3,475,475                  |
| Other financing sources:   |                     |                     |                     |                            |
| Transfers in .....   |                     |                     | 9,763               | 9,763                      |
| Total revenues and other financing sources .....   | <u>\$66,575,561</u> | <u>\$66,575,561</u> | 70,060,799          | <u>\$3,485,238</u>         |
| TOTAL .....  |                     |                     |                     |                            |
| Budgetary revenues are different than GAAP revenues because:                                       |                     |                     |                     |                            |
| State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement       |                     |                     |                     |                            |
| System for Town teachers are not budgeted.....   |                     |                     | 1,124,698           |                            |
| The Board of Education does not budget for certain intergovernmental grants which are credited     |                     |                     |                     |                            |
| against education expenditures for budgetary reporting. These amounts are recorded as revenues     |                     |                     |                     |                            |
| and expenditures for financial reporting purposes.....   |                     |                     | <u>296,182</u>      |                            |
| Total revenues and other financing sources as reported on the statement of revenues, expenditures, |                     |                     |                     |                            |
| and changes in fund balances - governmental funds - Exhibit IV .....                               |                     |                     | <u>\$71,481,679</u> |                            |

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TOWN OF BRANFORD, CONNECTICUTGENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2003

|                                       | .....BUDGETED AMOUNTS..... |           |           | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|---------------------------------------|----------------------------|-----------|-----------|--|
|                                       | ORIGINAL                   | FINAL     | ACTUAL    |  |
| General government:                   |                            |           |           |  |
| Legislative .....                     | \$ 13,547                  | \$ 13,547 | \$ 11,287 | \$ 2,260                               |
| Executive .....                       | 278,745                    | 298,745   | 296,935   | 1,810                                  |
| Finance .....                         | 52,022                     | 52,022    | 52,022    |  |
| Treasurer .....                       | 248,480                    | 239,610   | 236,626   | 2,984                                  |
| Assessor .....                        | 310,372                    | 300,642   | 294,592   | 6,050                                  |
| Review of Assessments .....           | 15,092                     | 15,092    | 14,622    | 470                                    |
| Tax Collector .....                   | 224,105                    | 261,105   | 256,570   | 4,535                                  |
| Town Clerk .....                      | 174,974                    | 182,774   | 181,650   | 1,124                                  |
| Law .....                             | 362,250                    | 805,950   | 805,930   | 20                                     |
| Labor Relations Negotiations .....    | 60,000                     | 70,000    | 70,000    |  |
| Probate Court .....                   | 11,200                     | 11,200    | 10,218    | 982                                    |
| Elections .....                       | 56,892                     | 56,892    | 52,472    | 4,420                                  |
| Planning and Zoning .....             | 189,441                    | 197,979   | 186,982   | 10,997                                 |
| Zoning Board of Appeals .....         | 7,841                      | 7,841     | 7,062     | 779                                    |
| Development Commission .....          | 8,088                      | 8,088     | 7,559     | 529                                    |
| Inland Wetlands Commission .....      | 36,785                     | 38,243    | 37,927    | 316                                    |
| General Government Buildings .....    | 424,423                    | 433,753   | 427,062   | 6,691                                  |
| Cable Television .....                | 1,925                      | 1,925     | 1,383     | 542                                    |
| Electronic Data Processing .....      | 340,422                    | 341,522   | 339,072   | 2,450                                  |
| Human Resources .....                 | 272,241                    | 190,507   | 188,883   | 1,624                                  |
| Total .....                           | 3,088,845                  | 3,527,437 | 3,478,854 | 48,583                                 |
| Public safety:                        |                            |           |           |  |
| Police Service .....                  | 3,922,420                  | 3,935,080 | 3,889,336 | 45,744                                 |
| Police Service - special detail ..... | 425,000                    | 425,000   | 309,513   | 115,487                                |
| EMS Service .....                     | 912,162                    | 904,488   | 877,804   | 26,684                                 |
| Fire Protection .....                 | 2,201,773                  | 2,197,639 | 2,098,645 | 98,994                                 |
| Building Department .....             | 68,106                     | 71,106    | 66,193    | 4,913                                  |
| Other protection - Dog Warden .....   | 69,145                     | 69,145    | 69,127    | 18                                     |
| Total .....                           | 7,598,606                  | 7,602,458 | 7,310,618 | 291,840                                |
| Public works and highways:            |                            |           |           |  |
| Public Works .....                    | 2,005,278                  | 2,088,343 | 2,063,094 | 25,249                                 |
| Water Pollution Control .....         | 1,726,040                  | 1,712,173 | 1,703,948 | 8,225                                  |
| Sanitation and Waste .....            | 2,395,264                  | 2,396,807 | 2,314,965 | 81,842                                 |
| General Engineering .....             | 181,163                    | 183,388   | 182,395   | 993                                    |
| Total .....                           | 6,307,745                  | 6,380,711 | 6,264,402 | 116,309                                |

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(Continued) - 1.

TOWN OF BRANFORD, CONNECTICUT  
 GENERAL FUND  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

| .....BUDGETED AMOUNTS.....              |            |            |            | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|---|------------|------------|------------|--|
|   | ORIGINAL   | FINAL      | ACTUAL     |  |
| Recreation:                             |            |            |            |  |
| Branford Recreation Department .....    | \$ 685,602 | \$ 704,864 | \$ 692,056 | \$ 12,808                              |
| Parker Park .....                       | 54,255     | 77,255     | 70,600     | 6,655                                  |
| Young's Park Commission .....           | 7,242      | 7,242      | 7,014      | 228                                    |
| Docks and Recreational facilities ..... | 32,325     | 32,325     | 19,775     | 12,550                                 |
| Public Celebration .....                | 24,841     | 24,841     | 21,689     | 3,152                                  |
| Shellfish Commission .....              | 1,350      | 1,350      | 670        | 680                                    |
| Conservation Commission .....           | 5,200      | 5,200      | 5,200      |  |
| Total .....                             | 810,815    | 853,077    | 817,004    | 36,073                                 |
| Libraries:                              |            |            |            |  |
| James Blackstone Memorial Library ..... | 732,400    | 732,400    | 732,400    |  |
| Willoughby-Wallace Library .....        | 165,869    | 168,905    | 163,781    | 5,124                                  |
| Total .....                             | 898,269    | 901,305    | 896,181    | 5,124                                  |
| Health and welfare:                     |            |            |            |  |
| Human Services .....                    | 833,548    | 837,232    | 804,468    | 32,764                                 |
| Commission for the Elderly .....        | 294,887    | 297,124    | 293,366    | 3,758                                  |
| East Shore District Health .....        | 139,171    | 139,171    | 138,705    | 466                                    |
| Youth Services .....                    | 32,167     | 32,167     | 30,676     | 1,491                                  |
| Total .....                             | 1,299,773  | 1,305,694  | 1,267,215  | 38,479                                 |
| Board of Education .....                | 35,473,268 | 35,473,268 | 35,435,528 | 37,740                                 |
| Pension and insurance:                  |            |            |            |  |
| Pension and Contributions .....         | 1,799,058  | 1,818,155  | 1,768,235  | 49,920                                 |
| Employee Group Insurance .....          | 2,052,235  | 2,101,745  | 2,098,679  | 3,066                                  |
| Municipal insurance .....               | 1,357,700  | 1,359,788  | 1,356,227  | 3,561                                  |
| Contingency .....                       | 542,500    | 19,993     |            | 19,993                                 |
| Total .....                             | 5,751,493  | 5,299,681  | 5,223,141  | 76,540                                 |
| Capital Projects .....                  | 677,828    | 677,828    | 677,801    | 27                                     |
| Debt service:                           |            |            |            |  |
| Principal retirement .....              | 3,658,706  | 3,699,660  | 3,699,658  | 2                                      |
| Interest and fiscal charges .....       | 2,285,459  | 2,054,505  | 2,053,047  | 1,458                                  |
| Total .....                             | 5,944,165  | 5,754,165  | 5,752,705  | 1,460                                  |
| Total expenditures .....                | 67,850,807 | 67,775,624 | 67,123,449 | 652,175                                |

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TOWN OF BRANFORD, CONNECTICUT  
 GENERAL FUND  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

|  | .....BUDGETED AMOUNTS..... |                     |                     | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|--|----------------------------|---------------------|---------------------|--|
|  | ORIGINAL                   | FINAL               | ACTUAL              |  |
| Other financing uses:  |                            |                     |                     |  |
| Transfers to other funds:  |                            |                     |                     |  |
| Special Revenue Fund:  |                            |                     |                     |  |
| Retiree Benefit.....   | \$ 100,000                 | \$ 100,000          | \$ 100,000          |  |
| Open Space Fund.....   | 30,300                     | 30,300              | 30,300              |  |
| Park and Recreation Revolving.....   | 20,000                     | 20,000              | 20,000              |  |
| Special Programs.....  | 56,454                     | 56,454              | 56,454              |  |
| Revaluation Fund.....  | 150,000                    | 150,000             | 150,000             |  |
| Capital Projects Fund:   |                            |                     |                     |  |
| Ambulance.....   | 43,000                     | 43,000              | 43,000              |  |
| Fire Apparatus.....  |                            | 52,683              | 52,683              |  |
| Animal Shelter.....  | 225,000                    | 225,000             | 225,000             |  |
| Sewer Reserve.....   | 100,000                    | 122,500             | 122,500             |  |
| Total other financing uses .....   | 724,754                    | 799,937             | 799,937             |  |
| TOTAL .....  | <u>\$68,575,561</u>        | <u>\$68,575,561</u> | 67,923,386          | <u>\$652,175</u>                       |
| Budgetary expenditures are different than GAAP expenditures because:                                   |                            |                     |                     |  |
| State of Connecticut "on-behalf" payments to the Connecticut State Teachers' Retirement System for     |                            |                     |                     |  |
| Town teachers are not budgeted .....   |                            |                     | 1,124,698           |  |
| Encumbrances for purchases and commitments ordered but not received are reported in the year the       |                            |                     |                     |  |
| order is placed for budgetary purposes, but in the year received for financial reporting purposes      |                            |                     | (156,201)           |  |
| The Board of Education does not budget for certain intergovernmental grants which are credited         |                            |                     |                     |  |
| against education expenditures for budgetary reporting. These amounts are recorded as revenues         |                            |                     |                     |  |
| and expenditures for financial reporting purposes .....  |                            |                     | 296,182             |  |
| Total expenditures and other financing sources as reported on the statement of revenues, expenditures, |                            |                     |                     |  |
| and changes in fund balances - governmental funds - Exhibit IV .....                                   |                            |                     | <u>\$69,188,065</u> |  |

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## APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

*The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.*

### BOND COUNSEL OPINION

The legal opinion of the firm of Day, Berry & Howard LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the initial purchaser when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the initial purchaser.

The opinion of Day, Berry & Howard LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Branford  
Branford, Connecticut

We have represented the Town of Branford, Connecticut as Bond Counsel in connection with the issuance by the Town of \$7,860,000 General Obligation Refunding Bonds, Issue of 2004, dated as of April 27, 2004.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Branford is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and that the Town has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate pursuant to Section 12-97 of the General Statutes of Connecticut, Revision of 1958, as amended, and dwelling houses of qualified elderly people of low income taxable at limited amounts pursuant to Section 12-129b of said General Statutes.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day, Berry & Howard LLP

## FEDERAL INCOME TAX.

*Interest Excluded From Gross Income.* The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds is excluded from the gross income of the owners thereof for Federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds. Failure to comply with any of these requirements may cause the interest on the Bonds to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for Federal income tax purposes.

*Alternative Minimum Tax.* The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

The Code provides, however, that for most corporations 75% of the excess of adjusted current earnings (which includes tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

*Financial Institutions.* The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Bonds will *not* be "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

*Changes in Federal Tax Law.* Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

## ADDITIONAL FEDERAL INCOME TAX MATTERS.

The following is a brief discussion of certain Federal income tax matters with respect to the Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

As noted above, interest on the Bonds may be taken into account in computing the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. Interest on the Bonds may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Bonds may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

## **STATE OF CONNECTICUT TAX ON INTEREST.**

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the Federal alternative minimum tax.

## **ORIGINAL ISSUE DISCOUNT.**

The initial public offering price of certain of the Bonds may be less than the amount payable on the Bonds at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such Bonds are sold constitutes original issue discount. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for Federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

## **ORIGINAL ISSUE PREMIUM.**

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for Federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and

estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Owners of Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the Federal and state income tax consequences of the disposition of such Bonds.

\* \* \* \* \*

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future Federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other Federal tax law consequences discussed above of owning and disposing of the Bonds. No assurance can be given that future legislation, or amendments to the State income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates.

The information above does not purport to deal with all aspects of Federal or State taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal and state tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

## APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.*

### **Continuing Disclosure Agreement for Bonds**

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of April 27, 2004 by the Town of Branford, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$7,860,000 General Obligation Refunding Bonds, Issue of 2004, dated as of April 27, 2004 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated April 14, 2004 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
[www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, NY 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390  
<http://www.interactivedata.com>  
Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street - 45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

"Rule" means rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement no SID has been established or designated by the State of Connecticut.

## **Section 2. Annual Financial Information.**

(a) The Issuer agrees to provide or cause to be provided to each NRMSIR and any SID, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2004 as follows:

(i) Financial statements of the Issuer's general fund, any special revenue, capital projects and trust or agency funds, and the general fixed assets and general long-term debt account groups for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

- (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of net direct indebtedness, gross direct indebtedness and total net direct indebtedness as of the close of the fiscal year,
- (F) gross direct indebtedness and net direct indebtedness of the Issuer per capita,
- (G) ratios of the gross direct indebtedness and net direct indebtedness of the Issuer to the Issuer's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Issuer's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR and any SID, or filed with the SEC. If the document to be referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

### **Section 3. Material Events.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

### **Section 4. Notice of Failure to Provide Annual Financial Information.**

The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

### **Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

### **Section 6. Termination.**

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.



## **Section 7. Enforcement.**

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Finance Director, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Finance Director is Town Hall, 1019 Main Street, Branford, Connecticut 06405.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

## **Section 8. Miscellaneous.**

(a) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rules as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with (i) the NRMSIRs or the MSRB and (ii) any SID. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

TOWN OF BRANFORD

By \_\_\_\_\_  
John E. Opie, First Selectman

By \_\_\_\_\_  
Judy Myjak, Selectman

By \_\_\_\_\_  
Frank J. Kinney, III, Selectman

By \_\_\_\_\_  
Robert B. Denhardt, Treasurer



**FINANCIAL  
SECURITY  
ASSURANCE®**

## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.  
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)